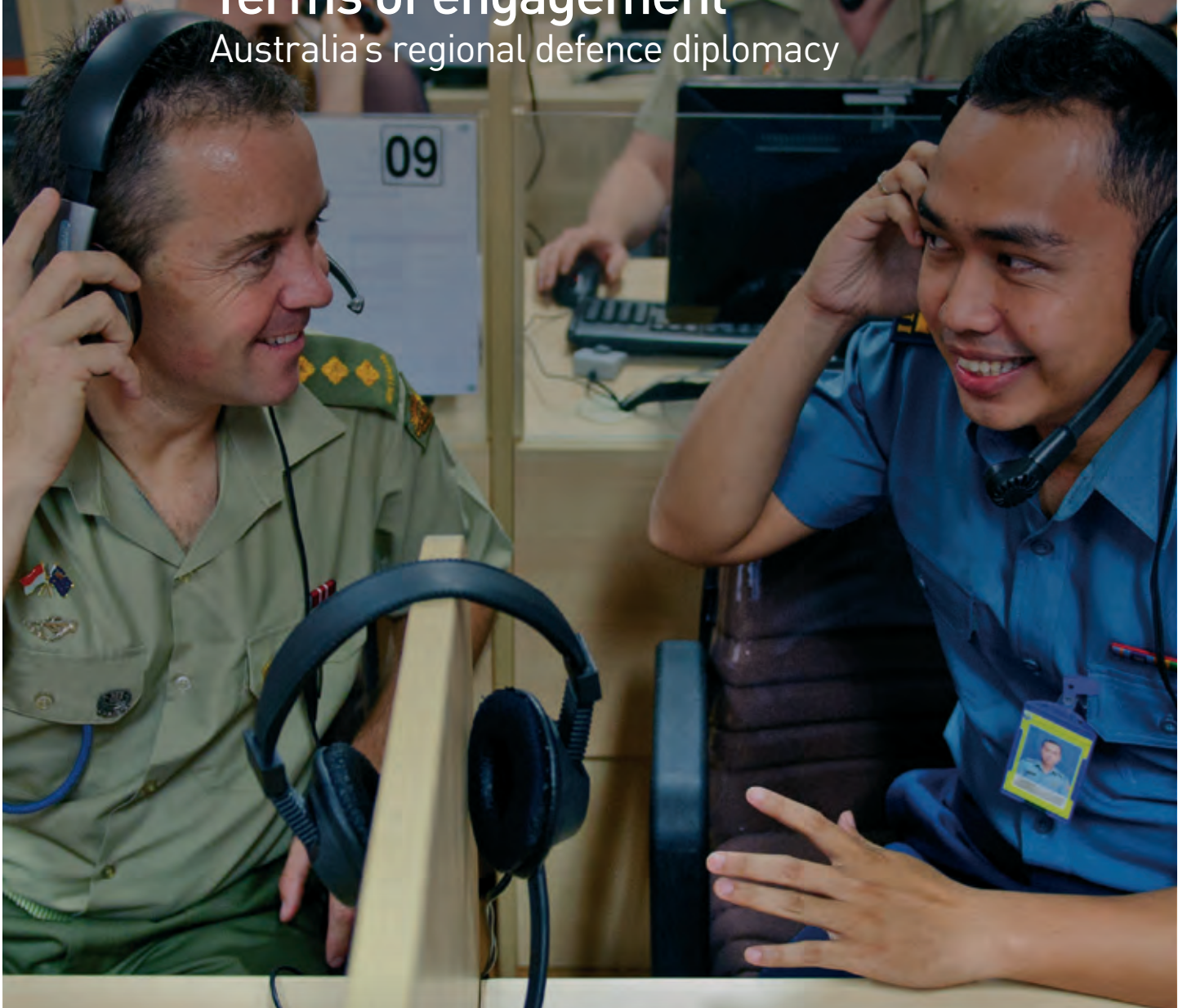


# STRATEGY

A S P I

Terms of engagement  
Australia's regional defence diplomacy



Sam Bateman, Anthony Bergin, Hayley Channer

A S P I

AUSTRALIAN  
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**Cover image:** Australian and Indonesian personnel at E-learning Workshop conducted at Pusdiklat Bahasa, Kemhan (May 2012). Image courtesy of Ikahan Indonesia Australia.

# Terms of engagement

Australia's regional defence diplomacy



Sam Bateman, Anthony Bergin, Hayley Channer

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ADF personnel pictured with members of the Papua New Guinea Defence Force during Exercise Olgeta Warrior 2009. Image courtesy Defence Department.

# RECOMMENDATIONS

- Our first priority for defence engagement should be our nearest neighbours—those in the archipelagic arc from Indonesia, Timor-Leste and Papua New Guinea (PNG) to Solomon Islands and Vanuatu.
- The next priority should be countries just beyond that arc, including ones with which we have established alliance relationships or commitments, those that still have a clear need for development assistance, and those that are strategically important to Australia. Those nations are the Pacific island countries, our Five Power Defence Arrangements partners, the Philippines and the nearer Indian Ocean coastal and island states.

## Southeast Asia (Chapter 2)

### Indonesia

- The Defence organisation should monitor developments in maritime security arrangements in Indonesia and ensure that Australian responses are coordinated between Defence and the Australian Customs and Border Protection Service (ACBPS).
- There should be a full-time Royal Australian Navy (RAN) instructor at Seskoal, the Indonesian Naval Staff College.

### The Philippines

- Defence should lead in providing Australian assistance to the Philippines' National Coast Watch System.
- Training in countering the threat of improvised explosive devices (IEDs) should be offered to the Philippines.
- If the US Special Forces taskforce that's assisting the Armed Forces of the Philippines (AFP) in counterinsurgency draws down, we should step up our efforts and provide defence advisers to the AFP.
- The Defence Materiel Organisation should lead a team to the Philippines to explore ways we might help to improve the AFP's procurement processes.

### Malaysia

- Defence and the ACBPS should take a more coordinated approach in providing maritime security assistance to Malaysia.

### Thailand

- Thailand has a particular problem in dealing with IEDs. We should assist with counter-IED technology and by sharing information on our voluntary register of homemade explosive device components.

## Timor-Leste

- Timor-Leste should remain a high priority for the Defence Cooperation Program (DCP).
- Defence should follow general Australian Government practice and recognise Timor-Leste as part of Southeast Asia, rather than the South Pacific.
- ASPI, in cooperation with Timor-Leste's National Defence Institute, should develop a workshop to build the institute's focus and vision. The workshop should be at the 1.5 Track level and defence academics from Australia, Portugal and the region should participate.
- In future, the Australian defence attaché or assistant defence attaché position in Dili should be filled by the Royal Australian Navy.
- The Australian Government should offer to sponsor a maritime capability study to investigate the force development requirements of the Falintil-Timor-Leste Defence Force Naval Component.

## Myanmar

- We should institute a 1.5 Track dialogue with Myanmar as a pathway to a strategic dialogue.
- The Vice Chief of the Defence Force and the Defence Department's Deputy Secretary Strategy should visit Myanmar in 2014.

## General

- A trilateral forum should be established between Australia, Indonesia and Timor-Leste to discuss security issues of common interest in the Timor Sea.

## The Pacific islands (Chapter 3)

- PNG, Solomon Islands and Vanuatu should be our priorities for defence engagement in the Pacific islands.
- Defence should continue to coordinate its activities with the capacity-building work of the Australian Federal Police with paramilitary units of the Vanuatu Police Force/Vanuatu Mobile Force.
- The highest priority should be given to implementing the Pacific Maritime Security Project as the cornerstone of our security engagement in the region.
- We should acknowledge the trend towards sub-regionalism in the Pacific islands as we develop plans for our future security engagement in the region.
- Australia should take the lead in developing protocols that might overcome the current security restrictions on the work of the Pacific Islands Forum Regional Security Committee.
- Australia should seek to strengthen the Quadrilateral Defence Cooperation Group's capacity for maritime surveillance and law enforcement.
- A Coral Sea Maritime Security forum should be established to bring Australia, PNG, Solomon Islands, Vanuatu and the French authorities in New Caledonia together to discuss maritime security cooperation and information sharing in the Coral Sea region.
- Fiji's participation should be factored into the Pacific Maritime Security Project. We should post a defence attaché to Suva as soon as our diplomatic relations are fully restored, post ADF officers to assist at the Republic of Fiji Military Forces (RFMF) Officers Training School, and restore RFMF officers to our military staff courses.



## Papua New Guinea (Chapter 4)

- Air Force-to-air force and army-to-army talks between Australia and PNG should be introduced. The air force talks should assist the development of the PNG Defence Force Air Element, covering air safety and airworthiness.
- The DCP should fund a master plan for the development of the PNG Defence Force Maritime Element, including a 'get well' program for its existing vessels, training, personnel issues and longer term basing and force structure requirements.
- The planned increase of mentoring teams in PNG should include a naval mentoring team based in Port Moresby but able to visit the Lombrum base regularly.
- More generally, the RAN must attach greater importance to supporting the Maritime Element.

## The Indian Ocean region (Chapter 5)

- As a means of increasing our strategic presence in the Indian Ocean region, we should increase our defence regional engagement in the region.
- We should see Sri Lanka as an important partner in the Indian Ocean region for promoting regional maritime security. Our bilateral defence engagement should be increased as our political relationship with Sri Lanka improves.
- A modest DCP engagement with the Republic of the Maldives should be explored.
- Defence cooperation talks should be established with Bangladesh, and a formal DCP agreement should be negotiated.
- In view of Australia's pending withdrawal from Afghanistan, Pakistan's priority for defence engagement should be reviewed after 2014.
- Australia should join India and Indonesia to promote a framework of maritime security cooperation in the eastern Indian Ocean.

## Overall (Chapter 6)

### Management and visibility of regional engagement

- To provide greater visibility of regional defence engagement:
  - an unclassified version of the Defence International Engagement Plan should be published
  - an annual ministerial statement should be produced on regional defence engagement, explaining the relevant priorities to parliament
  - Defence's annual report should include a section specifically about regional engagement.
- A quarterly meeting between the First Assistant Secretary International Policy in the Department of Defence and the First Assistant Secretary International Security in the Department of Foreign Affairs and Trade should discuss regional defence engagement plans and priorities.
- The annual ministerial statement and the section on regional engagement in the annual report should include full costings of regional engagement activities and an overview of the long-term plan for regional engagement.
- The establishment of a regional engagement coordinator should be added to the responsibilities of an existing branch in the International Policy Division, and the merits of establishing a new Regional Engagement branch should be examined after 2014.
- DCP projects should be subject to the same level of professional analysis as projects put forward by one of the services.

## Exercises and operations

- We should establish an Australian Defence Regional Engagement Centre to sharpen the focus on regional defence engagement at the operational and tactical levels and to coordinate engagement activities.
- The infrastructure at the Bradshaw Field Training Area should be improved to make it more useful for foreign military forces.
- Information on the costs of exercises conducted with regional defence forces should be on the public record.
- Counter-IED training programs should be established in the Philippines and Thailand.

## Maritime security

- Our defence engagement in our priority region should focus on the maritime dimension.
- The RAN should increase the number of personnel posted in adviser and training positions in the region.
- As a tangible evidence of our focus, we should increase the number of ship visits in the region.
- The civil coast guard model for providing good order at sea should be factored into our planning for maritime regional engagement.
- Clear divisions of responsibility should be established for maritime security engagement in the region.
- Maritime security should be the responsibility of the Defence Department's International Policy Division, which should be responsible for regional engagement coordination.

## Personnel issues

- The services should examine their officer posting policies to improve the status of defence attaché postings for serving officers.
- The pre-posting training program for personnel posted overseas should be reviewed.
- Lectures on being a defence attaché, preferably given by an experienced former defence attaché, might be included in the curriculum at the Australian Command and Staff College.
- Key defence posts overseas should be subject to a competitive process, rather than allocated by rotation.
- A Defence special visitors' program should be established to bring upwardly mobile staff college graduates and others to Australia for short-term organised visits.
- In addition to the existing arrangements in Indonesia and Malaysia, Australian defence alumni associations should be organised in countries where there are significant numbers of Australian alumni (Thailand, the Philippines and Vietnam).
- The Defence Cooperation Scholarship program should be reviewed.

## Other issues

- The Defence International Engagement Plan should recognise the importance of issues such as procurement, logistics management, project management, life-cycle costing and the availability of relevant skills, training and experience in Australia.
- Appropriate procurement courses should be listed in the schedule of postgraduate courses available in Australia.
- Australia should increase its soft power in the region by building stronger regional defence ties in the area of humanitarian assistance and disaster response.
- As a first step towards promoting scientific and technological engagement between regional defence agencies, the Defence Science and Technology Organisation should hold an annual science and technology review conference with Southeast Asian countries.

# CHAPTER 1

## Strategic interests and defence engagement

This report reviews Australia's regional defence engagement. Its geographical focus is on our nearer region—the eastern Indian Ocean, Southeast Asia and the Pacific islands. This is the area where we can realistically expect to help shape the regional security environment in ways that will further Australia's national interests.

The report does not address our direct defence engagement with the major powers of the region—China, India, Japan and the US. However, those countries are important stakeholders in regional security and our relations with them are relevant to our multilateral activities in our nearer region.

The report makes recommendations for reshaping our engagement activities to better serve Australia's strategic interests. That activity currently comprises the Defence Cooperation Program (DCP), exercises and other activities by the Australian Defence organisation.

Changes in the power relativities in the region are profound and have major implications for defence engagement. As regional defence forces expand and modernise and we lose our technological advantage, engagement becomes more about strategic partnerships and less about aid and assistance. This requires a significant change of mindset. We need to think differently about how we engage in the region and better understand what is meant by 'strategic partnership'. This isn't just an issue for the Defence organisation alone, but something that cuts across all aspects of our regional relations.

### Objective

This report discusses how our regional defence engagement can best contribute to a stable regional security environment and contribute to broader foreign policy goals. It outlines fresh ideas and new practical measures for that engagement in the light of current and emerging strategic circumstances.

The report is timely because:

- Australia's strategic environment has changed significantly in recent years
- Australia is now 'pivoting' back to our own region and looking for new strategies for Defence re-engagement
- both the *Australia in the Asian Century* White Paper (Australian Government 2012) and the subsequent National Security Strategy (PM&C 2013) have stressed the importance of our regional defence engagement.

In a speech in September 2012, the Vice Chief of the Defence Force, Air Marshal Mark Binskin, noted the need for Defence to rethink the current modest levels of funding for its DCP—a core part of the way the ADF engages with regional militaries through joint exercises, training and officer exchanges—and provide a dramatic step-up in funding for engagement.<sup>1</sup>

This report is a contribution to that re-thinking, but acknowledges the need for engagement to be cost-conscious and cost-effective.

## Previous reviews

Several reviews and reports on the DCP were produced in the 1980s and 1990s, but the program has not been scrutinised in any depth since an audit report by the Auditor-General in 2001 (ANAO 2001).<sup>2</sup>

The following themes were evident in previous reviews:

- The aims of the program were not well enough defined to allow adequate monitoring and evaluations of activities.
- Poor financial information management was a weakness in program administration.
- Coordination and consultation between Defence and other government agencies involved in the region were insufficient to avoid overlap and maximise benefits.
- There were grounds for concern about planning and evaluation procedures for DCP training activities.
- There was a need for clearer and public articulation of the goals and objectives of defence cooperation activities and of aspects of the implementation and review of activities.

## An overview of current engagement

The *Defence White Paper 2013* pivots the ADF back to closer engagement in our region. It makes a strong statement of intent to deepen defence relations with Indonesia and reinvest in defence cooperation with PNG.

Australia's regional defence engagement occurs at three broad levels: strategic, operational and tactical.

At the strategic level, there are regular talks between the Australian Defence organisation and the national defence organisations of many regional countries, including China, India, Japan, South Korea and most Southeast Asian countries, particularly Indonesia, Malaysia and Singapore. Australia participates in a range of regional defence and security forums, including the ASEAN Regional Forum, the ASEAN Defence Ministers Meeting (ADMM) Plus, the Asia–Pacific Chiefs of Defence Force Conference and the Western Pacific Naval Symposium.

At the operational level, Australia is regularly involved in a large number of international exercises and operations in the Asia–Pacific region, including the following:

- The RAN and Royal Australian Air Force (RAAF) participate in the *Rim of Pacific Exercise (RIMPAC)* series of exercises conducted by the US off Hawaii every two years. Other regional countries, including Japan, South Korea, Malaysia and Singapore, have also participated in recent RIMPACs.
- Exercises *Bersama Shield*, *Bersama Lima*, *Suman Protector* and *Suman Warrior* are conducted under the auspices of the Five Power Defence Arrangements (FPDA). The first three are joint and combined multi-threat exercises that have evolved to include defence against a range of threats. *Suman Warrior* is a land force exercise.
- The *Kakadu* naval exercises, conducted by Australia off Darwin every two or three years, bring together naval and air forces of regional countries. The most recent Kakadu exercise was held in August–September 2012 and included maritime elements from Australia, Brunei, Indonesia, Japan, New Zealand, Singapore and Thailand (DoD 2012a).
- Operation *Solania* is the ADF's contribution to maritime surveillance in the Pacific islands region. ADF assets assigned to the operation provide intelligence, surveillance and reconnaissance support to the Pacific island countries.

Many interactions occur at the tactical level between the ADF and regional military forces, including through Australia's leading role in the Integrated Area Defence System under the FPDA and regular lower-scale passage exercises between RAN ships and regional naval vessels. Australia also has exchange and loan personnel in regional defence forces and a liaison officer at the Information Fusion Centre at the Changi Naval Base in Singapore. RAN maritime surveillance and technical advisers are based in the Pacific island countries that operate Pacific Patrol Boats.

## Objectives of regional engagement

Defence cooperation is just one part of our bilateral defence relationships. As the Minister for Defence noted in a recent speech:

The Government will continue to increase its efforts in the period ahead to deepen Defence cooperation, including joint exercises and other forms of engagement, with our friends and partners in our region. (Smith 2012)

...the name of the DCP is now more apt than ever—  
it's cooperation rather than aid.

The objective of regional defence engagement is to maximise Australia's security, including by promoting the rule of law and good governance in our region. The emphasis has shifted over the years from assisting regional countries to build their own defence forces towards working together to promote harmony and peace and building trust in the region. In this respect, the name of the DCP is now more apt than ever—it's cooperation rather than aid.

Regional defence engagement brings significant benefits to Australia's defence capabilities by familiarising Australian defence personnel with the environments, operating procedures, cultures and capabilities of regional countries and allowing them to interact with their counterparts. The defence agenda looms large in many regional countries, and regional militaries have considerable domestic political influence, so our defence engagement is an important part of our regional relations.

Australia's national policy and planning documents have recently given strong support for engagement.

The *Australia in the Asian Century* White Paper outlines a long-term strategy to position Australia to benefit from the opportunities of the Asian century while managing future challenges. It identifies regional defence engagement activities as an important element of that strategy (see box). The paper sees strategic value in thinking about the Indian Ocean and the Pacific Ocean as a single strategic arc (Australian Government 2012:74).

The *Defence White Paper 2013* notes that the Defence organisation makes a substantial contribution to Australia's regional engagement in support of a favourable security environment, while at the same time providing an effective hedge against strategic risk and future uncertainty (DoD 2013a, para. 5.7). It sees Australia's international defence engagement as a critical component of the government's approach to managing the strategic transformation occurring in our region (DoD 2013a, para. 6.1) and both a strategic necessity and a strategic asset (DoD 2013a, para. 6.7).

### Regional defence engagement in the Asian century

Australia has a long tradition of working to build security with regional partners bilaterally and through regional agreements such as the Five Power Defence Arrangements. We have defence cooperation programs with regional partners, especially in Southeast Asia, that include training, joint exercises, specialised exchanges and shared professional perspectives on defence doctrine. Regular exchanges take place between ministers, military officers and officials.

As regional countries modernise their defence forces, these programs are opening up opportunities for us to pursue deeper strategic and security partnerships. We will direct increasing effort in the period ahead to the development of deeper defence cooperation, joint exercises and other forms of defence and security engagement with our neighbours, particularly Indonesia, other Southeast Asian countries, Japan, South Korea, India and China.

—*Australia in the Asian Century*, p. 230

The National Security Strategy, published earlier this year as *Strong and secure: a strategy for Australia's national security*, also provides substantial guidance for regional defence engagement. It identifies the promotion of a secure international environment conducive to advancing Australia's interests as one of the pillars of national security (PM&C 2013:vii). Key features of our approach to achieving that goal include strengthening our relationships with regional partners by:

- expanding our regional security cooperation, for example by establishing bilateral strategic dialogues with Singapore, Vietnam and the Philippines
- deepening defence, diplomatic, development and law enforcement cooperation with New Zealand and partners across the Pacific (PM&C 2013:23).

The strategy identifies deterring attacks on Australia and our national interests as another pillar of national security. The means of achieving this include:

- maintaining a strong Australia–US alliance and a growing network of strategic relationships with neighbours and regional partners
- deepening security dialogues and combined defence activities with key partners across the region to build greater understanding, trust and cooperation (PM&C 2013:17)
- increasing military cooperation, joint exercises and diplomatic engagement with countries across Asia to build greater transparency, open communication, confidence and trust (PM&C 2013:33).

## Engagement policy and planning

The Defence organisation undertakes a broad range of international activities, some of which extend across all of its functions. Those activities include interactions by the ADF with many countries and intelligence and scientific exchanges and discussions at various levels of the organisation. *The Strategy Framework 2010* provides the overall strategic guidance for such activities. International engagement activity includes exercises, attachments, course attendance, meetings, collaborative projects, transit activities (port and aircraft visits), representation, working level visits and senior officer travel.

More detailed priorities and objectives for international engagement are produced by a hierarchy of related documents (see box).

### Regional engagement planning

The *Defence Planning Guidance* is the government's classified defence planning document and Defence's classified strategy document amplifying the policy guidance of each new Defence White Paper.

The classified *Defence International Engagement Plan* sets out the international engagement objectives, performance measures, and initiatives for Defence's program of international engagement over a five-year period.

*Single-service engagement plans* are prepared in line with Defence International Engagement Plan guidance for the Navy, Army and Air Force.

The Defence Department's 2010–11 annual report noted that a revised edition of the *Strategy Framework*, to include changes resulting from the Rufus Black Review and Defence's Strategic Reform Program, would be produced in 2012 (DoD 2011, vol. 1, p. 80). However, the revision was delayed because the Defence White Paper was brought forward from 2014 to 2013.

## What's the current situation?

The Department of Defence was unable to provide separate costings for regional defence engagement activities, other than for the activities specifically conducted under the DCP.

For the DCP, it wasn't possible to break down costs into major categories of expenditure. For example, Figure 4 of the 2001 Auditor-General's audit report on the DCP (ANAO 2001) comprised pie charts of program expenditure in 2001, broken out into three main categories of cost: projects (19%); training and study visits (47%); and Defence personnel employed on defence cooperation tasks (32%). The data necessary to include a similar diagram in this report is no longer available.

Several trends are evident in the DCP. First, Figure 1 shows that DCP expenditure as a percentage of total Defence expenditure declined steadily over the past 30 years, from about 1% in 1980–81 to less than 0.3% in 2011–12, but in 2013–14 should be back to nearly 0.4%. Table 1 shows that DCP expenditure fell from a peak of \$104.4 million in 2001–02 to a low of \$71 million in 2011–12.

Figure 1: DCP expenditure as a percentage of total defence expenditure, 1980–81 to 2013–14

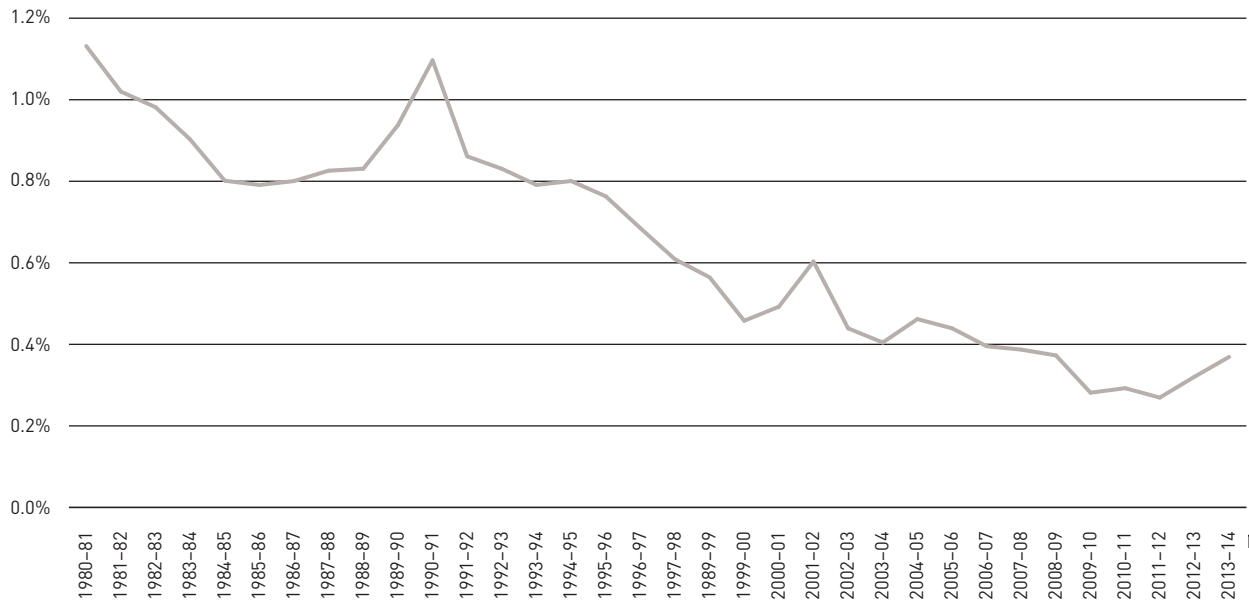


Table 1: DCP expenditure, 2000–01 to 2013–14 (real 2012 \$)

Year	Expenditure
2000-01	82,097,957
2001-02	104,473,127
2002-03	80,108,539
2003-04	88,165,567
2004-05	91,204,359
2005-06	97,374,344
2006-07	87,036,039
2007-08	86,181,206
2008-09	100,162,702
2009-10	74,244,438
2010-11	72,603,671
2011-12	71,034,000
2012-13	77,942,000
2013-14	93,693,000

Part of the apparent fall can be attributed to a change in accounting procedures: the costs of personnel employed on defence cooperation activities overseas, their housing and administration, as well as some other overheads, are no longer included as part of DCP expenditure. It might be expected, but can't be confirmed, that expenditure on other forms of regional engagement may have increased over this period.

Further investment in the DCP is identified as a budget priority in the 2013–14 Defence Portfolio Budget Statements (DoD 2013b:116). There's a projected increase of 20%, from \$77.94 million in 2012–13 to \$93.69 million in 2013–14.



This treatment of longer term trends in DCP expenditure conforms as far as possible with the practice in Defence's annual reports and budget statements, but it's difficult to get a clear picture of movements and allocations between different regions and activities.

Because of changes in accounting methods, figures for different years aren't always comparable. For example, the table of DCP regional expenditure for the South Pacific in the 2010–11 annual report includes a note:

The 2009–10 Actual Result and 2010–11 Budget Estimate for the South Pacific region included military employee expenses of \$9,615,000 and \$8,081,000, respectively when originally published, however these expenses have subsequently been returned to the respective Services and have been removed from this table to facilitate comparison with the 2010–11 Revised Estimate and the 2010–11 Actual Result for the DCP. (DoD 2011:249).

In another example, Timor-Leste costs were included in Southeast Asia costs between 2000 and 2004, but were then moved to South Pacific costs. The presentation of costs associated with international training has also been changed.

A second trend is in shifts in the geographical focus of the DCP. This is evident from Table 2 and Figure 2. In 2000–01, the percentage shares of DCP expenditure in PNG, Southeast Asia, the South Pacific (including 'multilateral general assistance', which is all related to the South Pacific) and 'other activities' were 25%, 41%, 28% and about 6%, respectively; by 2013–14, the shares had changed to 30%, 22%, 37% and about 9%, showing a marked fall in the share of Southeast Asia and an increased share to the South Pacific. The increase in 'other activities' included new DCP initiatives in Pakistan and the Middle East. The shift towards the South Pacific is partly explained by the heavy expenditure associated with the Pacific Patrol Boat Program, most of which is included within 'multilateral general assistance'. Annual expenditure on the program has been about \$26 million in recent years (not including PNG, Solomon Islands, Fiji and Tonga).

**Table 2: Annual DCP expenditure, by region and major category, 2000–01 to 2013–14 (real 2012 \$)**

Year	Papua New Guinea	Southeast Asia*	South Pacific**	Other Activities	Defence Int. Training	MGA	DCP Housing (South Pacific only)	Total DCP spend***
2000–01	20,804,719	33,452,978	12,659,093	5,049,557	16,245	10,115,360	0	82,097,952
2001–02	36,426,841	38,875,892	12,079,619	6,189,013	1,353	10,899,131	0	104,471,849
2002–03	12,071,815	32,997,231	15,519,077	1,946,282	4,330,191	13,243,936	0	80,108,532
2003–04	18,139,488	32,968,158	16,255,272	922,728	4,842,448	15,037,471	0	88,165,565
2004–05	16,892,086	36,649,029	13,211,477	1,834,825	4,498,793	18,118,144	0	91,204,354
2005–06	22,581,159	32,204,544	20,931,605	2,751,219	4,446,628	14,459,184	0	97,374,339
2006–07	16,331,752	30,287,389	17,409,506	3,361,946	4,498,298	15,145,994	0	87,034,885
2007–08	10,760,951	32,954,515	12,854,124	10,409,704	4,860,210	14,341,696	0	86,181,200
2008–09	13,300,137	42,434,283	13,388,856	3,938,216	4,578,718	22,522,489	0	100,162,699
2009–10	8,547,703	27,877,013	4,771,618	3,942,182	4,257,557	24,848,365	0	74,244,438
2010–11	9,655,252	23,981,412	3,846,635	4,859,172	4,266,913	24,793,483	1,200,800	72,603,667
2011–12	11,485,000	22,762,000	4,968,000	6,319,000	5,327,000	18,482,000	1,691,000	71,034,000
2012–13	19,457,000	21,330,000	5,581,000	6,469,000	5,334,000	18,051,000	1,720,000	77,942,000
2013–14	27,096,000	20,596,000	6,993,000	7,121,000	5,498,000	20,889,000	5,500,000	93,693,000

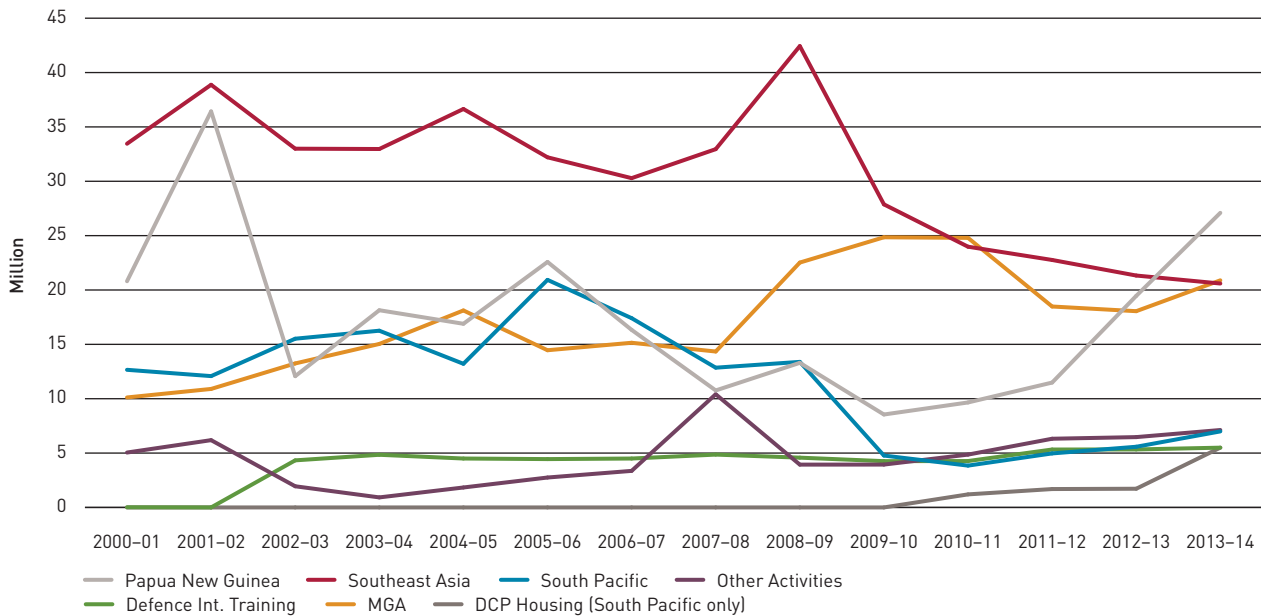
\* Southeast Asia includes Timor-Leste and excludes Brunei (and Myanmar for 2013–14)

\*\* South Pacific excludes PNG

\*\*\* Total DCP spend excludes Myanmar for the year 2013–14 as funding to Myanmar commences in 2013–14 and there has been no funding to Myanmar in any other year.

Note: Defence's category of 'Other regional activities' covers Afghanistan, Iraq, Jordan, Pakistan and India, as well as DCP housing and multilateral activities under 'Counter terrorism', 'FPDA' and 'Regional architecture'.

Figure 2: DCP expenditure, 2000–01 to 2013–14 (real 2012 \$ million)



In a third trend, the focus of the DCP has moved more towards education and training, particularly courses in Australia.<sup>3</sup> A total of 724 foreign students came to Australia under the program in 2012 (see Appendix Table 1).<sup>4</sup>

Table 2 (see Appendix) shows that the number of foreign students studying or training in Australia for more than one month has increased from 196 in 2006 to 384 in 2012. These students take a range of courses, including basic officer training at the Australian Defence Force Academy or Royal Military College; staff courses at the College of Defence and Strategic Studies or the Australian Command and Staff College; postgraduate courses at several Australian universities (see Appendix Table 3); various professional military courses; and extended English language training. Although some countries meet some or all of the costs of their students coming to Australia, these longer courses of training and education are a major item of DCP expenditure.

The number of foreign students coming to Australia for short courses of less than one month (mainly professional short courses and seminars), has remained fairly constant at around 340 each year.<sup>5</sup>

## Some key issues

Several central issues can be identified from this initial review of regional defence engagement. Recent major policy papers highlight the importance of engagement, but it appears not to have been a policy priority for the ADF in recent years. Regional engagement activities weren't mentioned as a policy deliverable for the Office of the Secretary and the Chief of the Defence Force Group in the 2010–11 annual report (DoD 2011:77).

The *Defence White Paper 2013* devotes an entire chapter to international defence engagement, but doesn't mention the DCP as a discrete Defence activity. The program's mentioned only in a country-specific sense for Timor-Leste (DoD 2013a, paras 4.17, 6.63), PNG (DoD 2013a, para. 6.60) and Afghanistan (DoD 2013a, para. 6.70).

DCP expenditure has been falling as a proportion of total Defence spending and—contrary to what strategic guidance might suggest—most DCP spending has been directed to the South Pacific. The number of RAN port visits to Southeast Asian ports fell significantly in 2012 (see Appendix Table 4). Regional nations see ship visits as tangible and symbolic indications of Australia's engagement.

## Some general observations

While this report necessarily deals with Australia's bilateral relationships with regional neighbours, multilateral activities remain a key element of our regional defence engagement. Institutions such as the East Asia Summit, the ASEAN Regional Forum and the ASEAN Defence Ministers Meeting Plus are important forums for discussing political, economic and security issues and acting cooperatively to address them (DoD 2013a, para. 3.20).

A second observation is that we should be giving more emphasis to regional engagement as a discrete activity of the Defence organisation. Currently, it's really in two parts—the DCP (managed by the International Policy Division of the Department of Defence), and all the other engagement activities, which are scattered through the Defence organisation. Notionally, these activities are coordinated through the Defence International Engagement Group, which is responsible for producing the Defence International Engagement Plan. However, because that document is classified, it isn't clear how well all the activities are coordinated and priorities are identified. This process should be more transparent.

A third observation is that it's difficult to get a full picture of relevant costs and priorities. This is because either the data isn't available or the relevant papers are classified. Thus, the current arrangements fail to meet the need identified in previous reviews for clearer and public articulation of the goals and objectives of the DCP—or regional defence engagement more generally, for that matter.

It is also open to question whether these arrangements fulfil the Auditor-General's recommendations in 2001, particularly those for better targeting of decisions relating to the selection and prioritisation of defence cooperation activities, and for enhanced public reporting of relevant activities (ANAO 2001:14–15). The changes in accounting practice over the years (noted above) have made it extremely difficult to accurately assess the performance of the DCP and its relationship to strategic priorities.

# CHAPTER 2

## Southeast Asia and Timor-Leste

The 2009 Defence White Paper, *Defending Australia in the Asia Pacific Century: Force 2030*, noted that ‘we have a deep stake in the security of Southeast Asia’ and ‘strategically our neighbours in Southeast Asia sit astride our northern approaches through which any hostile forces would have to come in order to substantially project force against Australia’ (DoD 2009, para. 5.12). The *Defence White Paper 2013* includes similar judgements but places additional emphasis on the maritime environment of the region, and especially on the significance of trade routes and the salience of maritime sovereignty disputes in the region (DoD 2013a, paras 3.15–3.18).

In recent years, Defence has worked closely on security cooperation with partner countries in the region—specifically, Indonesia, Singapore, Malaysia, the Philippines, Thailand, Brunei, Vietnam, Cambodia and Laos. Priority areas for cooperation have included counterterrorism, peacekeeping, maritime security, defence reform and English language training (DoD 2012b:271).

The Five Power Defence Arrangements (FPDA) are an accepted entry point for Australia into the defence and security environment of Southeast Asia. Indonesia and Timor-Leste, as our closest archipelagic neighbours to our northwest and north, also demand a high priority in our regional defence engagement. Timor-Leste is included with Southeast Asia in this report to reflect its increasing orientation towards Asia and to conform with its inclusion in Asia in the *Australia in the Asian Century* White Paper.

Most regional defence forces are modernising quite rapidly, so our defence engagement in Southeast Asia is becoming more a matter of strategic partnerships, rather than assistance and aid.

### Regional perspective

Southeast Asia has one of the world’s most complex maritime geographies (Figure 3). The region’s dotted with islands and archipelagos. It’s crossed by major shipping routes that pass through narrow straits and choke points. Many of these routes are vital to Australia’s trade interests.

The region sits astride key access routes between the Indian and Pacific oceans. These are economically and strategically important to the economies of Northeast Asia, the US and the emerging naval powers of Asia. The straits of Malacca and Singapore are a key area where the interests of regional countries and extra-regional powers (the US, China, India and Japan) intersect.

Regional security concerns are both traditional and non-traditional. The traditional concerns are the risks of conflict either between regional countries in sovereignty disputes or between major powers. Non-traditional threats in the region include: piracy and armed robbery against ships; terrorism; natural disasters; trafficking in drugs, arms and people; and illegal fishing. Not surprisingly, most regional countries have shifted their national priorities from internal security to maritime security. Nevertheless, the army remains the dominant military force in some regional countries, where it can exercise considerable political influence.

Figure 3: Southeast Asia



Maritime issues are currently the most divisive issues in regional security. The South China Sea, which is the strategic heart of Southeast Asia, is the scene of a number of serious sovereignty disputes and increasing tensions between littoral countries. And the growing strategic competition between the US and China, which was previously restricted to differences over Taiwan and the Korean Peninsula, has now spread into Southeast Asia. Indonesia and Singapore, in particular, have expressed concern about these developments, particularly their military dimensions (Anwar 2013).

Such developments offer both challenges and opportunities for Australia. The challenges come from managing the potential risks to regional stability, particularly from the situation in the South China Sea and the friction between the US and China. The opportunities lie in working with our closest regional partners, particularly Indonesia, both bilaterally and multilaterally through regional forums, to help meet the challenges.

## Defence cooperation spending

Figures 4, 5 and 6 and Table 3 show movements in DCP expenditure in Southeast Asia since 2000. Regional DCP expenditure in 2012–13 was about \$21.3 million, well down from its peak of \$42.4 million in 2008–09. In the 2013–14 financial year it is projected to fall further to \$20.5 million.

The main item of this expenditure is the costs of regional students' education and training in Australia (about 500 come each year). However, some countries are now either funding or part-funding the costs of training and education in Australia. Part of the decline in DCP expenditure in individual countries can also be attributed to a change in accounting practices: some of the costs of some activities, particularly counterterrorism and counter-IED activities, have been centralised into a regional allocation.

The major falls in DCP expenditure were in Malaysia and Thailand, where in 2011–12 it was less than half what it had been in 2000–01. This reflects both the increasing preparedness of those countries to part-fund training and other activities and the increasing modernisation of their defence forces. DCP expenditure in Timor-Leste has also trended downwards over the years except for the spike in 2008/09. It remained much the same over the period in Cambodia/Laos, Indonesia and the Philippines, where our annual spending was around \$1.2 million, \$5.4 million and \$4.7 million, respectively. There's been no DCP spending yet in Myanmar.

The peak in expenditure in the Philippines in 2008–09 (Figure 6) was due to the implementation of the Joint Philippines–Australian Army Watercraft Project. The total costs of this two-year project were \$8.2 million, making it the biggest single DCP project in Southeast Asia over the past decade.

Table 3: DCP expenditure in Southeast Asia, by country (real 2012 \$)

Year	Cambodia and Laos	Indonesia	Malaysia	Singapore	Thailand	The Philippines	Vietnam	Timor-Leste	Total
2000–01	816,322	4,541,894	8,126,674	400,715	6,599,623	4,807,233	1,973,794	6,186,723	33,452,978
2001–02	1,275,136	6,745,078	5,757,833	579,727	5,952,390	4,173,771	2,935,443	11,456,511	38,875,889
2002–03	1,301,360	5,864,440	5,736,479	325,020	4,450,474	3,898,963	1,818,322	9,602,173	32,997,231
2003–04	1,250,309	6,311,561	5,848,947	288,821	4,451,101	3,599,640	2,373,087	8,847,189	32,970,655
2004–05	1,381,902	7,378,264	5,727,286	200,893	4,601,066	3,737,833	1,985,800	11,635,985	36,649,029
2005–06	1,952,895	7,207,253	4,936,909	202,226	3,413,157	4,246,753	2,652,457	7,592,894	32,204,544
2006–07	818,081	6,234,423	5,037,174	359,634	3,927,249	4,953,298	3,091,933	5,865,597	30,287,389
2007–08	841,232	5,515,359	5,006,655	133,231	3,378,143	6,377,512	2,343,119	9,359,264	32,954,515
2008–09	1,286,412	5,171,614	5,816,443	47,604	3,889,530	8,533,163	2,450,566	15,238,951	42,434,283
2009–10	1,048,094	5,876,480	3,272,537	91,458	3,594,219	6,620,764	2,417,872	6,118,267	29,039,691
2010–11	1,115,320	4,314,741	3,041,689	80,392	2,620,391	4,821,520	1,687,226	6,300,133	23,981,412
2011–12	1,237,000	4,360,000	3,324,000	103,000	3,117,000	3,857,000	2,021,000	4,743,000	22,762,000
2012–13	1,230,000	3,569,000	3,723,000	71,000	2,903,000	3,546,000	1,903,000	4,385,000	21,330,000
2013–14	1,277,000	3,730,000	3,721,000	82,000	2,913,000	3,229,000	1,904,000	3,740,000	20,596,000

Figure 4: DCP expenditure in Southeast Asia, 2000–01

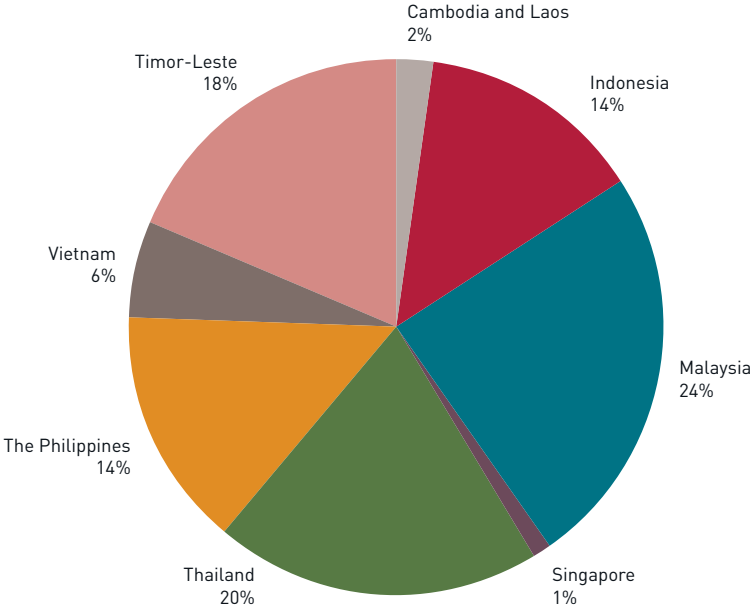


Figure 5: DCP expenditure in Southeast Asia, 2011–12

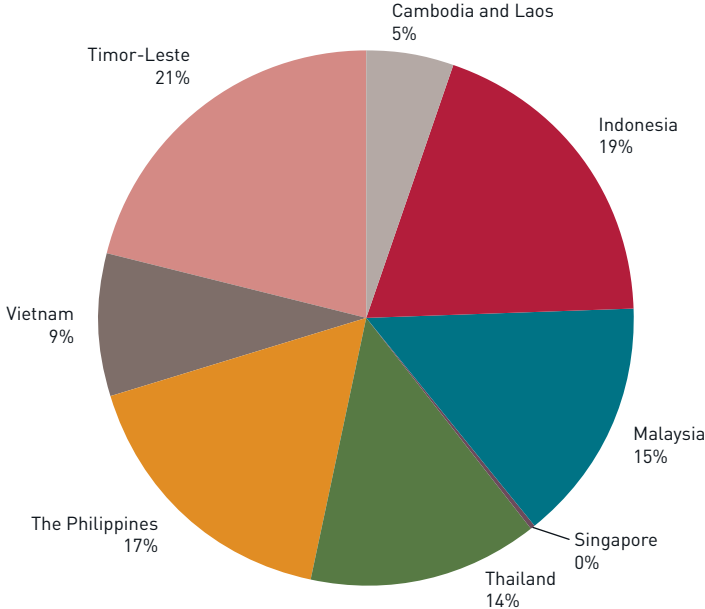
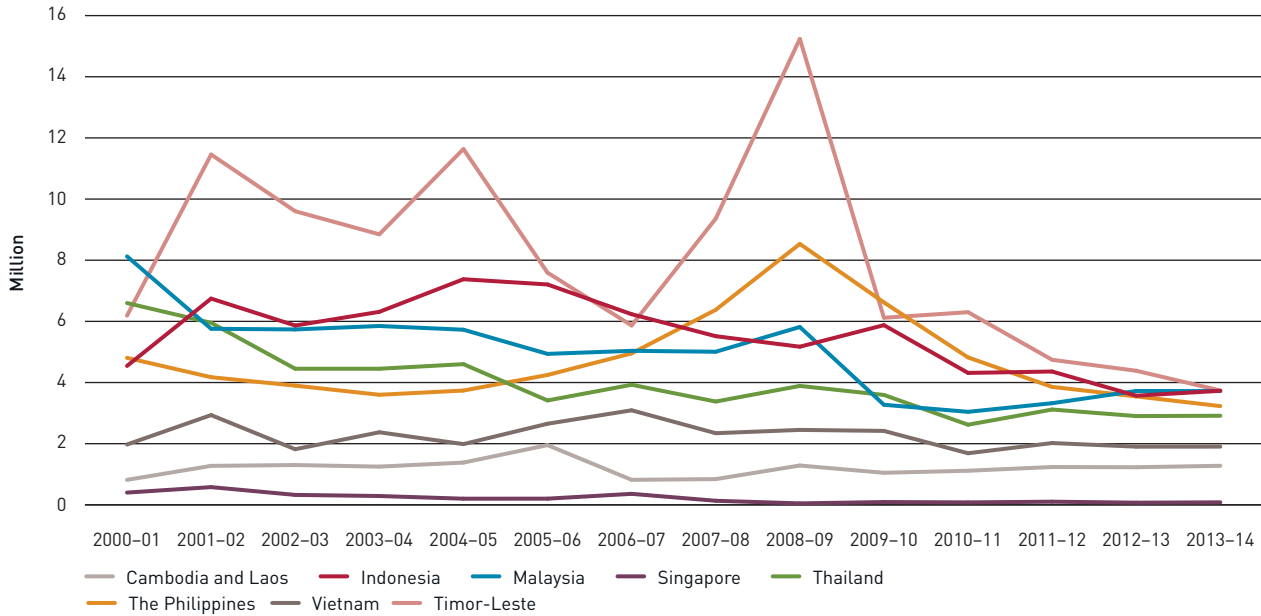


Figure 6: DCP expenditure in Southeast Asia, 2000–01 to 2013–14 (real 2012 \$ million)



## Regional security architecture

Our defence engagement in Southeast Asia needs to be responsive to both regional strategic trends and the emerging regional security architecture. The National Security Strategy reflects this requirement:

The challenges and disputes likely to arise in the region will increasingly demand multilateral responses. In the Asia–Pacific, several overlapping forums have emerged to address a variety of security and economic developments over the last half century. Multilateralism is inherently difficult and requires perseverance in pursuit of sometimes seemingly incremental development. Australia is working with its partners to strengthen regional forums—especially the [East Asia Summit] and the ASEAN Regional Forum—so that they can better contribute to regional stability. At the same time, we are developing bilateral relations with our most important partners, and providing support for smaller or *ad hoc* groupings to gain traction on issues of shared concern. (PM&C 2013:28)

The 2011–12 Defence annual report notes that:

In 2011–12, there continued to be strong support for regional multilateral security institutions such as the Association of South East Asian Nations (ASEAN) Defence Minister’s Meeting-Plus (ADMM-Plus) and ASEAN Regional Forum (ARF). Australia and Malaysia have co-chaired two meetings of the ADMM-Plus Maritime Security Experts’ Working Group in July 2011 (Perth) and February 2012 (Kota Kinabalu, Malaysia). Defence also actively contributed in ADMM-Plus Experts’ Working Group meetings on counterterrorism, humanitarian assistance and disaster relief, military medicine and peacekeeping operations. (DoD 2012b:271)

This focus on multilateral regional security institutions is reflected in the *Defence White Paper 2013*.

ADMM-Plus, with its several expert working groups, has become the most effective forum for fostering practical multilateral defence engagement since its creation in 2010. Australia participates in all its working groups and currently co-chairs the Expert Working Group on Maritime Security. Australia is to host an ADMM-Plus maritime field training exercise off Sydney in September 2013.



Participants at the ADMM-Plus meetings are mainly from defence establishments and the military, while participants at the ASEAN Regional Forum are mainly from departments or ministries of foreign affairs. Coordination of the work of the two forums is important.

The ASEAN Regional Forum offers good opportunities for multilateral whole-of-government engagement that includes security confidence-building and cooperation, which the ADMM-Plus by itself cannot offer.

The ASEAN Regional Forum offers good opportunities for multilateral whole-of-government engagement that includes security confidence-building and cooperation, which the ADMM-Plus by itself cannot offer. This is important, given the multiagency and often civil-led nature of maritime security, counterterrorism and other forms of cooperation.

Another regional maritime security forum has appeared. The ASEAN Maritime Forum held its third meeting in Manila in October 2012. This was followed immediately by the first Expanded ASEAN Maritime Forum, which was attended by government and non-government delegates from countries participating in the East Asia Summit (the 10 ASEAN member states, Australia, China, India, Japan, New Zealand, the Republic of Korea, the Russian Federation and the US) and the ASEAN Secretariat. The expanded forum addressed a range of maritime security issues.

Which Australian agency should represent Australia's interests at each of these maritime security forums is an issue that requires consideration.

## Maritime security cooperation

Reflecting the importance of maritime security, countries in the region are part of several important arrangements for regional maritime security cooperation.

The Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in the Asia-Pacific (ReCAAP) provides for regional cooperation to achieve its objectives. To date, it involves all ASEAN nations (except Indonesia and Malaysia) and eight other extra-regional countries. It includes an information network and a cooperation regime to prevent piracy and armed robbery against ships in Asian waters. Australia is in the process of joining ReCAAP, with Border Protection Command as Australia's focal point.

The Information Fusion Centre operated by the Singapore Navy provides for regional maritime information-sharing cooperation among regional navies and other agencies. It helps cue participating countries to take actions to respond early to potential threats and developing situations. Australia provides an RAN liaison officer at the centre.

At a higher level of cooperation, regional navies meet at the Western Pacific Naval Symposium to discuss issues of common concern. Similarly, paramilitary maritime security forces meet at the Heads of Asian Coast Guard Agencies meetings, which are attended by the Australian Customs and Border Protection Service (ACBPS).

This plethora of forums highlights the importance of both coordination between the forums and cooperation between agencies at the national level. As we focus our engagement increasingly on maritime security, it's essential that our activities in that domain are coordinated across the agencies concerned.

## Indonesia

### Strategic priorities

Indonesia's strategic priorities are both internal and external. Nation-building remains a major concern because of the need for cohesion across a wide and diverse archipelago with a population of nearly 250 million. Internal security threats, particularly terrorism, are a key issue. As shown by the Boxing Day tsunami of 2004, Indonesia is highly exposed to natural disasters.

Externally, Indonesia is concerned about the deteriorating situation in the South China Sea. It's sought to play a leading role among the ASEAN nations in promoting preventive diplomacy and confidence-building to alleviate the problem.

As one of the world's major archipelagic states and a leading maritime nation in the region, Indonesia has played a major role in global and regional oceans management.

As one of the world's major archipelagic states and a leading maritime nation in the region, Indonesia has played a major role in global and regional oceans management. It's very much aware of the extent of its maritime interests and of the need to protect its maritime sovereignty and to maintain law and order at sea. Its strong sense of sovereignty can inhibit its maritime cooperation with its neighbours and with extra-regional countries that have an interest in the security of shipping passing through the Indonesian archipelago.

Indonesia's ability to maintain good order at sea is limited by a lack of capacity and a lack of coordination between the various government agencies responsible for aspects of maritime enforcement. At least 10 agencies are involved in maritime security management; nine of them are authorised to conduct law enforcement operations at sea. The situation has been further complicated by government reforms, including the enactment of autonomy laws that devolve authority to provincial governments (including some responsibility for law enforcement at sea).

Indonesia is setting up a coast guard independent of the military. This is the result of many years of discussion with the Indonesian Navy (the TNI-AL), which has been opposed to the development. The new organisation will be under the Maritime Security Board (Bakorkamla) as a single agency with roles in maritime security, safety and law enforcement. Bakorkamla will be a key agency for maritime security cooperation between Australia and Indonesia. This cooperation is currently being carried forward by Border Protection Command.

Indonesia is becoming more active in promoting regional maritime security cooperation. The TNI-AL is to host a maritime security symposium in December 2013, followed in March 2014 by Exercise Komodo 2014, a multilateral maritime exercise focused on humanitarian assistance and disaster relief (HA/DR) and search and rescue.

Indonesia is also planning a multiagency National Maritime Information Centre, which will be under the TNI-AL. This is an important development with potential for facilitating maritime information-sharing between Australia and Indonesia.

Recommendation: The Defence organisation should monitor developments in maritime security arrangements in Indonesia and ensure that Australian responses are coordinated between Defence and the Australian Customs and Border Protection Service (ACBPS).

## Australia's strategic interests

Australia has a clear strategic interest in Indonesia being secure and peaceful. Indonesia is our most populous neighbour, and key shipping routes pass through the Indonesian archipelago, where we have a vital concern for the freedom of navigation.

Australia and Indonesia share one of the world's longest maritime boundaries. The two countries have many common interests in the maritime domain, including maintaining good order at sea; preventing piracy, people smuggling and illegal fishing; and protecting the marine environment.

In strategic terms, a stronger Indonesia is a partner with which we can tackle traditional and non-traditional regional challenges. Issues of mutual concern include counterterrorism, law enforcement, border protection and maritime and aviation security.

The Lombok Treaty on Security Cooperation, ratified in 2008, is the main element in a framework of bilateral defence agreements with Indonesia. The National Security Strategy has a separate section on Indonesia that describes the security relationship as 'deep and productive' (PM&C 2013:12). The *Defence White Paper 2013* describes Australia's longstanding partnership with Indonesia as our most important defence relationship in the region (DoD 2013a, para. 6.28).

The establishment of annual leaders' meetings in November 2011 indicates the importance both countries place on our strategic partnership (DoD 2013a, para. 6.28). It's a comprehensive relationship encompassing a broad bilateral and global agenda. A strong plank of the partnership is the cooperation between Australia and Indonesia on a wide range of security-related issues—from counterterrorism and counterproliferation of weapons of mass destruction to the disruption of people smuggling. This cooperation benefits both countries significantly.

## Defence engagement

Indonesia is our key regional partner for defence engagement. Our defence forces share a long and close history (DFAT 2013a). Defence cooperation and interoperability have gathered pace over the past decade as both nations have recognised the mutual benefits of practical cooperation.

There's been a substantial increase in ministerial exchanges between the two countries, including the establishment of a regular defence ministers' meeting and a '2 + 2' meeting between our defence and foreign ministers. In September 2012, at the first annual Indonesia–Australia Defence Ministers' Meeting, the ministers signed a defence cooperation arrangement that will take our defence cooperation forward into the next decade, building on strengthened engagement under the 2006 Framework Agreement on Security. It shows a strong intent on the part of both countries to deepen bilateral defence ties.

Enhanced defence cooperation initiatives will include joint education and training and participation in joint and regional exercises, with a focus on fostering close operational and strategic cooperation in such vital areas as HA/DR, peacekeeping, counterterrorism and maritime security.

## High-level links

Key achievements during 2011–12 included advancing the Australia–Indonesia defence relationship through the inaugural Australia–Indonesia 2+2 meeting of foreign and defence ministers in March 2012, conducting the

third annual Coordinated Maritime Patrol in April 2012, and hosting the Commander-in-Chief of the Indonesian National Defence Forces in December 2011 for his first visit to Australia in four years (DoD 2012b). Joint naval patrols have been conducted in the Timor Sea, but the TNI-AL lacks the capacity to do more.

The second annual 2+2 Foreign and Defence Ministers' Meeting was held in April 2013. This included a wide-ranging exchange of views on regional and global issues of common concern, including people smuggling, the Indian Ocean and the situation in the South China Sea.<sup>6</sup> The two countries agreed to expand naval exercises, cooperation on peacekeeping and military training, and to enhance disaster management cooperation.

A formal mechanism by which the military commands of the two countries can share information has now been established: an inaugural high-level committee meeting between the chiefs of the Indonesian and Australian defence forces was held in April 2013. The committee's agenda is impressively broad, encompassing operations, intelligence, logistics, education and defence exercises (Dupont 2013).

Our defence engagement with Indonesia now involves regular military exercises, including the highly successful Exercise Pitch Black held in 2012 and the maritime Exercise Kakadu. The Indonesian and Australian air forces conducted bilateral maritime transport and surveillance exercises Rajawali Ausindo and Albatross Ausindo in 2012.

### Counterterrorism

Counterterrorism is a dominant part of the relationship, and bilateral cooperation has been a significant factor in many of Indonesia's counterterrorism successes. The remnants of the old Jemaah Islamiyah organisation in Indonesia have been significantly weakened, but its offshoots are using local conflicts to build greater popular support. Islamist attention has focused mainly on attacking the 'near enemy'—the Indonesian state. Australia will need to work even more closely with Indonesia in combating the spread of Islamist extremism in the region.

### Humanitarian assistance and disaster relief

Australia has participated in trilateral HA/DR exercises with the US and Indonesia. However, there are practical limits to how far the US can go, due to non-alignment issues on the part of Indonesia and residual human rights concerns on the US side. Australia's signed a memorandum of understanding to transfer four C-130H aircraft to Indonesia to contribute to its HA/DR capability. We've also offered to sell a further five aircraft to Indonesia at below their market value, as well as a simulator and spare parts (Smith 2013a).

We worked with Indonesia two years ago on an HA/DR paper for the East Asia Summit, and last year we cooperated on a table-top exercise on HA/DR. Australia-Indonesia bilateral exercises and other activities could be a model for the region. A new trilateral HA/DR exercise between the US, Australia and Indonesia (possibly with Chinese observers) will take place in the Northern Territory in 2013.

### Peacekeeping

Peacekeeping is very important in the Indonesian Army (the TNI-AD). Australia provided the first military personnel as peacekeepers under UN auspices to Indonesia in 1947. The development of Indonesia's military expertise has also lent weight to its growing global engagement, and Indonesian peacekeepers are sought after for UN and other multilateral peace and security operations. The bilateral table-top exercise between the ADF and TNI—Exercise Garuda Kookaburra—further enhances both nations' contribution to peacekeeping.

### Training and education

Training and education are a longstanding element of the relationship. Each year, around 100 Indonesian military officers participate in courses, short-term visits and other exchanges in Australia through the DCP. Around 50 Australian defence personnel visit Indonesia in an official capacity each year. Australian and Indonesian military personnel participate in regular joint exercises. The level of engagement is growing on both sides. As a broad objective, we should direct our efforts towards a further maturing of people-to-people links.

The Indonesia–Australia Defence Alumni Association (IKAHAN) was officially launched in March 2011. Through an annual program of seminars, cultural and sporting events, IKAHAN encourages all participants in Australia–Indonesia defence engagement activities to renew and maintain their relationships. Since its launch, IKAHAN has grown to over 1,000 members.

The need for a stronger analytical focus on Indonesia is well reflected in the *Australia in the Asian Century* White Paper, but the focus shouldn't be solely on the university sector. There's a deep need for policy practitioners to build their knowledge of Indonesia and for that to be reflected in strengthened analytical capabilities about Indonesia in Defence, Foreign Affairs and the intelligence community.

The exchange of staff college instructors is an important means of building people-to-people links. The RAN is missing out on an important means of promoting navy-to-navy links by not having a full-time instructor at the Indonesian Naval Staff College (Seskoal). However, it's understood that work is underway to set up such a position.

Recommendation: There should be a full-time RAN instructor at Seskoal.

We also need more structured engagement for ADF officer cadets and graduates joining the Defence Department. While IKAHAN taps the commitment and knowledge of senior personnel, we must also make sure that young defence professionals have the opportunity to understand each other's country and to build personal contacts. Defence should consider including a few weeks in Indonesia as part of its military and graduate induction programs. Early contact of this sort can help establish connections that prove invaluable in times of crisis, when political relations are difficult and communications poor.

## Problem areas

Notwithstanding good progress in our bilateral defence engagement with Indonesia, the security relationship isn't comprehensive. It still suffers from the legacy of Timor-Leste, particularly in the Indonesian Army (TNI-AD). Some TNI officers still harbour some misunderstandings about Australia, and some who were junior officers in 1999 will be serving for the next 20 years. While this consideration places some restrictions on army-to-army connections, relations between our air forces and navies are very good, as has been demonstrated by exercises Pitch Black and Kakadu.

In recent years, the number of Indonesian officers undertaking Defence Cooperation Scholarships has been scaled back (only four scholarships will be offered to Indonesia in 2014, compared with 15 to Pakistan and 13 to Thailand).<sup>7</sup> This was a decision based on a lack of strong candidates being put forward for the courses. There are better ways of investing in potential future leaders in Indonesia.

Maritime security is an obvious area for advancing defence engagement with Indonesia...

Maritime security is an obvious area for advancing defence engagement with Indonesia, including further improvement of our information-sharing arrangements with the establishment of the TNI-AL's National Maritime Information Centre. Because of the effects of the legacy of the past on army-to-army links, we should make restoring those links a priority.

The good news is that we've arrived at a point where there's a strong foundation for engagement with positive potential.

## The Philippines

### Strategic issues

The Philippines is a large archipelagic country that faces major problems with security and natural hazards. Providing and maintaining control in its more remote island groups is difficult, particularly in the southern part of the country. Numerous small islets and islands and a weak navy and coast guard add to the difficulties of providing an acceptable level of maritime security. The Philippines is particularly concerned about the illegal trade in small arms and light weapons, illegal migration, piracy, cross-border kidnappings and the smuggling of narcotics, as well as precursor chemicals for narcotics and explosives. The sea provides the main route for illicit national and transnational activities.

The Philippines occupies an important geostrategic location between the Americas, Oceania and Asia, while serving as a bridge between Southeast and Northeast Asia.

The Philippines occupies an important geostrategic location between the Americas, Oceania and Asia, while serving as a bridge between Southeast and Northeast Asia. Important shipping routes between Australia and China pass through the Philippines archipelago, including through the Sulu Sea, which is prone to illegal activity.

Maritime security is now a key component of national security. The passing of a new baseline law has allowed the Philippines to strengthen its maritime security arrangements (Palma 2009). Its claims in the South China Sea are a major strategic concern. Incidents at Scarborough Shoal in 2012 between Chinese and Philippines vessels nearly flared into local conflict.

The Philippines has a major problem in controlling its borders. It's vulnerable to most forms of transnational crime, including piracy, cybercrime, trafficking in drugs, arms and people, and money laundering.

Over the years, the Philippines has faced problems of internal security, separatist movements, insurgencies and terrorism. Addressing these problems hasn't been helped by problems of ineffective political governance.

After more than a decade of negotiations, the Philippines Government and the Moro Islamic Liberation Front signed the Framework Agreement on the Bangsamoro in October 2012. However, the Communist Party of the Philippines and its armed component, the New People's Army, are still problems in some parts of the country.

An improved security outlook in the southern Philippines will result in an environment less conducive to transnational terrorism in the region and in more opportunities for economic development. Australian defence cooperation and police training will have played a key role in this (DFAT 2013b).

The Armed Forces of the Philippines (AFP) are still mainly focused on internal security. The AFP remains dominated by the Philippines Army. The focus on internal security means that it's difficult to get the Australian Army involved in engagement activities unless there's a counterterrorism or HA/DR dimension.

Recommendation: If the US Joint Special Operations Task Force that's assisting the AFP in counterinsurgency draws down, we should step up and provide defence advisers to the AFP.

The Philippines needs support to strengthen its capacity to protect its maritime interests and to build its military capabilities. While we wish to be a strong and reliable strategic partner of the Philippines, we must be careful not to take part in any defence engagement activities that could appear to support the Philippines' sovereignty claims in the South China Sea.

## Recent developments

The AFP's planned Defence Transformation Program is intended primarily to meet external maritime security threats. Some US\$1.6 billion worth of procurement projects were being considered for funding in 2012 (Avila 2012). The focus of the program is a 'minimum credible defence posture'.

The Philippines Air Force plans to acquire basic fighter aircraft, and the Navy and Coast Guard will get new ships and maritime surveillance aircraft. The purchase of five new French patrol boats for the Coast Guard was announced recently.

The Philippines' National Coast Watch System (NCWS) is being established to provide interagency coordination and maritime security across the Philippines archipelago. The system will include a multiagency National Coast Watch Center to be established at facilities provided by the Philippines Coast Guard, which will also provide administrative and logistic support to the centre.

Opportunities exist for Australia in providing support for the NCWS. Whether this is led by Defence or the ACBPS highlights the problem in coordinating maritime security engagement in the region and will require a decision. Although the National Coast Watch Center will be located within the Coast Guard, the NCWS is a multiagency arrangement.

Recommendation: Defence should lead in providing Australian assistance to the Philippines' National Coast Watch System.

The US is providing substantial support for the AFP. However, US assistance is often regarded as too advanced for the AFP to absorb and may lack sustainability, in that equipment is supplied without follow-on support.

## Defence engagement

Australia and the Philippines share many interests in the region, including promoting maritime security in accordance with international law, building a regional disaster preparedness and response capacity, and strengthening economic integration.

Australia has been a major destination for Philippines military trainees, and Defence is a key part of the bilateral relationship. The 2012 Status of Visiting Forces Agreement opens up the possibility of deeper personal relationships, more training opportunities and more advanced exercises. The *Defence White Paper 2013* notes that, as part of this agreement, Australia will seek to enhance practical engagement with the Philippines, particularly in counterterrorism and maritime security (DoD 2013a, para. 6.34). Ten Defence Cooperation Scholarships are to be offered to the Philippines in 2014.

The security relationship between Australia and the Philippines has strong maritime dimensions. Projects have included the Philippines Port Security Capacity Building Project, the Australian Army Watercraft Project and support for the Coastwatch South organisation.

Further opportunities exist for building the strategic relationship. Australian support for the NCWS will be important, but there are other opportunities. Risks of terrorism are still evident in the Philippines, and the country is exposed to the threat of IEDs. Natural disasters, such as cyclones and floods, are also prevalent. All are prospective areas for further Australian engagement (Banloai 2008).

Recommendation: Training in countering IEDs should be offered to the Philippines.

As the AFP expands and modernises, a range of new equipment is being sought and acquired, particularly by the Philippines Air Force and Navy. Procurement processes are believed to be rather haphazard and lacking an appreciation of concepts such as life-cycle costing and through-life support. There's potential for Australia to assist with training in procurement processes using the expertise of the Defence Materiel Organisation.

Recommendation: The Defence Materiel Organisation should lead a team to the Philippines to explore ways we might help to improve the AFP's procurement processes.

The Philippines defence establishment is also being reorganised in an effort to make the AFP more joint in its approach and to remove overlaps between the services (the relationships between the three services and the Coast Guard can be vexatious). This is an area where Australia may be able to assist.

### Problem areas

DCP work with the Philippines became a priority in the mid-2000s because of fears of terrorism in the Philippines but has been reduced since then (down to \$3.23 million in 2013–14). The Philippines is a key part of maritime Southeast Asia but lacks capacity to maintain good order within its waters. Major Australian trade routes pass through or near the Philippines archipelago.

While there's much scope for deepening Australia's defence engagement with the Philippines, the task won't be easy. Much of the difficulty can be attributed to challenges of governance and weak government institutions in the Philippines. This can lead to problems in the DCP, such as the Philippines' poor record of taking up course offers in Australia. There are also risks of corruption, particularly with acquisition programs.

While English is widely spoken in the Philippines, language difficulties can also inhibit day-to-day contact between the ADF and the AFP.

## Malaysia

### Strategic outlook

After a post-independence focus on internal security, Malaysia has progressively increased its attention to maritime security. The areas of concern are the Malacca Strait in the west and the South China Sea and Sulu Sea in the east. A full set of maritime boundaries hasn't been agreed between Malaysia and its neighbours in any of those areas. Border control is a problem for Malaysia, as there's a high level of smuggling and illegal people movement across both the Malacca Strait and the Sulu Sea. Protecting Malaysian sovereignty over disputed features in the South China Sea is another major concern for Malaysia. Recently, there have also been difficulties around Sabah, Malaysia's easternmost member state.

The focus on maritime security is evident in the establishment of the Malaysian Maritime Enforcement Agency. The agency became operational in 2005 and has taken over all law enforcement in Malaysia's territorial sea and exclusive economic zone (EEZ). Its responsibilities include search and rescue, pollution control, and countering piracy and trafficking in drugs, weapons and people. The agency will operate at least six helicopters and fixed-wing aircraft and about 80 small and medium-sized vessels. In 2010, it was planning to double the size of its helicopter fleet and to buy additional fixed-wing aircraft (Leithen 2010).

The establishment of the Malaysian Maritime Enforcement Agency has been a significant and successful development in Malaysia's arrangements for maritime security, and the agency is potentially a good model for the rest of the region. It's contributed markedly to the reduction of piracy and armed robbery against ships in the Malacca Strait, the South China Sea and the Sulu Sea. Liaison between Australia and the agency, including training assistance, is provided by the ACBPS.



## Bilateral relations

The defence relationship between Malaysia and Australia has a long history. It's now stronger than ever. Traditional education, defence and economic links are complemented by cooperation on a range of security issues (DFAT 2013c). Regular high-level defence talks are a feature of our engagement. Royal Malaysian Air Force Base Butterworth, near Penang, is home to the ADF's largest permanent overseas presence. It's a symbol of our commitment to regional security and a logistics hub for the ADF in the region, including for disaster response. It facilitates our maritime security Operation Gateway patrols, as well as training and exercises with Malaysia, FPDA partners and ASEAN states.

Defence people-to-people links were strengthened by the launching of the Malaysia–Australia Defence Alumni Association in June 2012. About 160 training and educational positions were taken up by Malaysian defence personnel in Australia in 2011–12, and there were regular bilateral military exercises. Peacekeeping engagement has continued through the co-delivery of training courses under the Joint Malaysia–Australia Peacekeeping Training Initiative.

Australia is a leading partner for Malaysia in cooperation on defence, law enforcement, border protection and other national security issues. We're the only country with an officer embedded with the Ministry of Defence in Kuala Lumpur. However, the number of RAN ship visits to Malaysian ports has declined significantly in recent years, from 9 in 2008 and 6 in 2010 to only 1 in 2012 (and then only a minor war vessel).

## Outlook

Our defence engagement with Malaysia is well established and valued by both countries. It has many of the characteristics of a true strategic partnership.

However, there are still some limits to how far engagement can go (Mahadzir 2012). As was demonstrated by Malaysia adopting a national approach to protecting ships against piracy off Somalia rather than participating in a coalition of forces, we have different perceptions of how military forces should be employed overseas. Direct cooperation between Malaysian and Australian military forces in a coalition may be unlikely.

While in broad terms our defence engagement with Malaysia is in good order, it could probably be tweaked in some areas. Maritime security is one area where there may be scope for expanded cooperation, but this needs to be coordinated across the agencies concerned. The ACBPS supports the Malaysian Maritime Enforcement Agency, while Defence works with the Royal Malaysian Navy. This can lead to duplication and overlap, and it's not clear that coordination occurs on a routine basis. The possibility of Malaysia participating in combined exercises in Australia's northern training areas might also be explored, including in trilateral exercises involving the US.

Recommendation: Defence and the ACBPS should take a more coordinated approach in providing maritime security assistance to Malaysia.

## Singapore

Singapore has advanced and well-resourced capabilities. It spends around 4% of gross domestic product on defence—the highest percentage in the region. It enjoys a close defence relationship with the US and hosts significant US naval capabilities and rotational deployments of littoral combat ships.

Our defence relationship with Singapore is mature and may now be regarded as a full strategic partnership covering many common interests, including support for the US presence in the region. In 2011–12, the relationship was advanced through many senior level visits and strategic dialogues, including the agreement between Australia and Singapore in 2012 to hold an annual defence ministers' dialogue in 2013.

Singapore is a potential partner for Australia in promoting a range of new multilateral defence engagement activities, including ones involving the US. We already have considerable experience of working together, including in Afghanistan, and the Singapore Army and Air Force makes significant use of training facilities in Australia.

## Thailand

Thailand has insurgencies and terrorism in the south and a border dispute with Cambodia in the east that occasionally leads to the exchange of live fire between the security forces of the two countries.

Thailand only has a small EEZ, locked in by the EEZs of other countries in the Gulf of Thailand and on its west coast. However, its fishing and shipping interests are important. The Royal Thai Navy has contributed to counter-piracy operations off Somalia.

Australia is one of Thailand's leading partners in defence, law enforcement, border protection and aviation security.

Australia is one of Thailand's leading partners in defence, law enforcement, border protection and aviation security. There's been substantial investment and cooperation in those areas, especially over the past decade (DFAT 2013d). Multilateral peacekeeping exercises have been held in Thailand, co-hosted by Australia and Thailand.

Thailand's need for traditional defence cooperation is lessening as its defence forces modernise. We should continue to attach importance to links through language training and the offer of education and training places in Australia. Thirteen Defence Cooperation Scholarships are to be offered to Thailand in 2014.

Thailand has a particular problem in dealing with IEDs. Australia initiated a counter-IED plan with Thailand in 2012.

Recommendation: We should assist Thailand with counter-IED technology and by sharing information on our voluntary register of homemade explosive device components.

## Timor-Leste

Timor-Leste is increasingly looking towards Southeast Asia and is seeking to become a member of ASEAN. This is recognised in recent Australian Government publications, including the *Australia in the Asian Century* White Paper. The Defence organisation should follow general government practice and recognise Timor-Leste as part of Southeast Asia, rather than the South Pacific.

The security of Timor-Leste is identified as a key strategic interest for Australia in the *Defence White Paper 2013* (DoD 2013a, para. 3.8).

### Security outlook

Improvements in the security situation in Timor-Leste and the successful conduct of national elections in 2012 led to the end of the UN peacekeeping mission and the withdrawal of the Australian-led International Stabilisation Force. However, there are still major economic and social challenges facing Timor-Leste that could lead to renewed difficulties in maintaining law and order if they're not resolved.

External security is of less concern. Good relations with its near neighbours, Indonesia and Australia, are a major objective of Timor-Leste's foreign policy. There's scope for cooperation between the three countries to ensure that the security situation in the area remains benign.

The strategic vision for the defence and security of Timor-Leste is provided by the Force 2020 plan, which was developed by the Security Sector Reform Section of the United Nations Integrated Mission in Timor-Leste with the support of the Australian Government and made public in 2007.<sup>8</sup> The plan was later criticised by the UN and the governments of Australia and the US as unaffordable and in excess of Timor-Leste's needs. Force 2020 remains on the table as the basis for security and defence planning in Dili, although a strategic planning document similar to a white paper is being developed to provide an update to the plan.

Force 2020 draws a distinction between military defence and a more enlarged concept that includes non-military defence. It takes a Portuguese-style approach to defence and security, in which the military is involved in a range of civil security activities, rather than an Australian or US model, in which there's a clear separation of civil and military powers. Defence planning in Timor-Leste therefore includes a range of social, political and economic activities, and security means a focus on internal security and domestic law and order.

The Falintil-Timor-Leste Defence Force (Falintil Forças de Defesa de Timor-Leste, or F-FDTL) has four components: Army, Naval, Training and Support. An Air component is under consideration. The total strength of the F-FDTL is about 1,800, of whom about 360 are in the Naval component. It's been a policy objective that the F-FDTL should be focused on external defence and leave political and policing activities to the national police force (Policia Nacional de Timor-Leste, or PNTL) although this hasn't been fully realised, as the F-FDTL still maintains security posts across the country for internal security and presence. Australian assistance to the PNTL is provided through the International Development Group of the Australian Federal Police, while Defence supports the F-FDTL through extensive DCP activities.

A recent report from the International Crisis Group found that the policing capacity in Timor-Leste remains weak, the army's role is still not clearly defined and broader institutional arrangements providing a clearer division of labour among the state's security forces need to be formalised (ICG 2013).

## Defence engagement

In 2010-11, the DCP continued to support the development of the F-FDTL and the Secretariat of Defence through training and advisory programs in the fields of engineering, maritime security, logistics, infantry, strategic policy, governance, finance, medicine, communications and language (DoD 2011). Key achievements during that financial year included the joint construction of a new headquarters for the engineering units of the F-FDTL, the doubling of student capacity at the English Language Training Facility in Metinaro, and support for the completion of the master scoping and development plan for the proposed Port Hera naval complex.

The Australian Defence organisation is negotiating a defence cooperation agreement with Timor-Leste, which will provide the legal framework for our bilateral relationship following the withdrawal of the International Stabilisation Force. This will incorporate a status of forces agreement.

Traditional DCP activities of aid and assistance will be required in Timor-Leste for some years to come. This should include mentoring and training for the F-FDTL. The PNG model of mentoring teams may work in Timor-Leste for the Army and Naval components. We should also stand ready to support an Air Force component should Timor-Leste decide to go ahead with the establishment of one. This would require significant investment.

There are also prospects for widening the scope of exercises and joint training between the ADF and the F-FDTL. Infantry unit training for the Army component in northern Australia might be considered, perhaps even on a combined basis with Indonesia, the US, or both.

## National Defence Institute

Timor-Leste is establishing a National Defence Institute, but its concept and relevance are uncertain at this stage. Initial indications are that the institute will have both a think-tank and a teaching role, offering staff college

type courses. The concept appears to include non-traditional security issues, recognising that 'security' in the Timor-Leste context means domestic law and order.

The institute could be an important development, and Australia should be prepared to support it.

Recommendation: ASPI, in cooperation with the National Defence Institute, should organise a workshop to develop the focus and vision for the institute. The workshop should be at the 1.5 Track level, with participants from defence academia from Australia, Portugal and the region.

## Maritime security

Maritime issues, including maritime security, are new concerns for Timor-Leste. Despite it being an island country, its people lack a maritime culture and, to some extent, its administration has suffered from 'sea-blindness'. At present, Timor-Leste lacks the national infrastructure to train crew or to repair or, indeed, to operate sea-going vessels.

Maritime issues offer fertile ground for fostering good relations between Australia and Timor-Leste.

Maritime issues offer fertile ground for fostering good relations between Australia and Timor-Leste. Common interests in the maritime domain include security, resource development and marine environmental protection. Australia could be doing much more to assist Timor-Leste with maritime security and in developing its capacity to manage its maritime interests (Bateman and Bergin 2011).

Maritime security is provided by the F-FDTL Naval component and the Maritime Unit of the PNTL. On paper, both these units have been growing fast, but the Naval component is in a poor state. Its base at Port Hera has many problems, including flooding damage and unsatisfactory berthing arrangements for its vessels. Its five vessels are either old and difficult to maintain or unsuitable for the major requirement of patrols on the southern side of the island, where illegal fishing by foreign fishing vessels is a serious problem. Australia has continued to offer a package of maritime assistance, including contracted air surveillance and training, but not all our offers have been taken up. We are also to offer Timor-Leste a part in the Pacific Maritime Security Project (DoD 2013a, para. 6.63).

At the regional level, regular maritime security meetings between Australia, Indonesia and Timor-Leste would help to enhance good order in the Timor Sea. Particular measures that might be considered are information exchange, coordinated patrols and the attachment of liaison officers to each other's ships. However, the ability of the Naval component to patrol in the Timor Sea is severely hampered by its vessels' lack of range and sea-keeping capability. Some sensitivities might also be encountered with trilateral cooperation, including residual concerns in Dili about Indonesia and Timorese sensitivity about Timor-Leste's lack of capabilities and skills.

Australia didn't appoint a naval adviser to Dili until early 2010, and then only at the rank of lieutenant commander. The senior defence attaché positions in Dili have been mainly filled by the Army and occasionally the RAAF. Perhaps because of that, defence cooperation assistance to the F-FDTL Naval component has been relatively small until recently.

There's little direct contact between the F-FDTL and Northern Command (NORCOM) in Darwin on maritime security issues, although liaison between NORCOM and Indonesian Defence headquarters in eastern Indonesia is becoming routine, particularly on coordinated naval operations. There are relatively few RAN ship visits to Timor-Leste, while both the US and France are reported to visit more frequently.

#### Recommendations:

- In future, the Australian defence attaché or assistant defence attaché position in Dili should be filled by the RAN.
- Australia should offer to sponsor a maritime capability study to investigate the force development requirements of the F-FDTL Naval component.

#### Problem areas

The bilateral relationship between Australia and Timor-Leste has had its problems over the years, particularly over the management of the oil and gas reserves of the Timor Sea. Some of this has carried over into the defence relationship, producing suspicions about Australia's motivation in delivering defence and security aid. Nevertheless, Timor-Leste accepts that the defence relationship with Australia is a priority.

To some extent, our defence cooperation in Timor-Leste appears to have lacked long-term goals. We've seemed to be responding to whims of the F-FDTL, rather than fully investigating the need and considering the longer term implications of providing the assistance. This is evident in our support for the dysfunctional master plan for Port Hera and for building a medical training facility at Metinaro that's never been used as such. We've also trained F-FDTL Army engineers, but they're not being employed in that capacity.

Defence's objectives have been to professionalise and increase the capabilities of the F-FDTL in order to make it a professional and appropriate force of last resort to support the PNTL in maintaining internal stability. This has been successful to the extent that the F-FDTL was able to assist the PNTL in providing security for the 2012 national elections.

Donor competition is another issue. Australia enjoys some advantages of proximity. We coordinate closely with the US and New Zealand, but not with Portugal, which is a major provider of assistance and advice to the F-FDTL and enjoys much influence over the force. However, this can complicate Australia's contribution.

Portugal provides basic and advanced training, while Australia provides specialist training. This was a decision made at a donor conference in 2001 and reaffirmed at the Defence Cooperation Talks in 2009 to help deconflict donor efforts in the provision of training. From time to time, differences in the definition of 'specialist training' in the two nations' doctrines have led to misunderstandings. Through the DCP, Defence also provides extensive language training in-country through the English Language Program.

Portugal has five full-time naval advisers led by a full captain at Port Hera to provide advice, training and assistance to patrol boats, marines and base support. In comparison, we have one Lieutenant Commander and one Chief Petty Officer involved in all aspects of the base and its attached vessels. The Chief Petty Officer also provides underwater diving training.

Timor-Leste pays the overheads of Portuguese advisers, whereas we pay the full costs of our advisers and donate more to the F-FDTL than all the other donors put together. In short, we're not getting our money's worth.

There are problems of language and educational standards for the placement of Timor-Leste trainees in Australia. Their success rate here isn't good, largely due to language barriers. The English Language Program was reviewed in 2011 and, based on the recommendations, a new curriculum has been implemented in-country. The outcomes of the new curriculum will need to be assessed at the end of 2013.

#### Outlook

Because Timor-Leste is one of our closest neighbours, we should pursue our defence engagement with Dili vigorously, including DCP activities of the traditional kind.

Recommendation: Timor-Leste should remain a high priority for the DCP.

## Brunei

Brunei Darussalam is a small country rich in oil and gas, with an EEZ jutting into the South China Sea. Brunei's gross domestic product was US\$49,384 (in purchasing power parity terms) in 2010–11, placing it among the wealthiest 25 countries and second only to Singapore among Southeast Asian nations (DFAT 2013e).

Brunei is an active participant in regional affairs and is currently chair of ASEAN and the ASEAN Regional Forum. While holding this office, it's strongly pursuing a binding code of conduct for the South China Sea.

Australia's defence and security relationship with Brunei is close. There are regular exercises between the ADF and the Royal Brunei Armed Forces and regular interactions between the two defence ministries. An Australia–Brunei Defence Working Committee normally meets annually. Brunei is allocated defence training positions in Australia on a fee-for-service basis and is not a DCP country.

As partners in a number of regional bodies, Australia and Brunei will also engage more actively on regional issues, including on education, public health, the environment, finance, defence and security, and disaster management.

## Cambodia and Laos

Australia has a defence dialogue with Cambodia but only a small level of defence cooperation with Laos. DCP activity with Cambodia is mainly in the form of human resource development, which includes education and training courses in Australia and programs of language training. There are Australian language advisers in both Phnom Penh and Vientiane. Forty-four training positions were offered to these two countries in 2011–12.

### Cambodia

To some extent, there's a defence cooperation tug-of-war between China and the US in Cambodia. China has provided arms, such as attack helicopters, to Cambodia and built a military academy; the US has concentrated more on capacity building, human resources and technical cooperation by providing staff college places, training packages and exercises (Thayer 2013a).

Australia's leading role in the Cambodian peace process and subsequent recovery established warm personal ties between individual Cambodians and Australians that endure to this day (DFAT 2013f). Bilateral relations have grown since then, based on Australia's development assistance to Cambodia and a range of shared national interests.

Australia and Cambodia are cooperating to address common security challenges. Our law enforcement, border protection, intelligence and defence agencies have formed strong cooperative links.

### Laos

As one of the world's fastest-growing economies, with consistent growth of around 8% in recent years, Laos is on track to graduate from least-developed country status by 2020 (DFAT 2013g). Although poverty levels have almost halved in the past 20 years (to around 19% in 2012), Laos still has some of the lowest human development indicators in the region, including for maternal and child mortality, malnutrition and basic education. The strong, longstanding and cooperative relationship between Australia and Laos is projected to continue to mature and evolve.

## Outlook

Overall, Cambodia and Laos are not high priorities for our defence engagement. However, we should continue to attach importance to people-to-people links through language training and the offer of education and training places in Australia.

## Vietnam

### Security outlook

Vietnam's major security concern is with the South China Sea and the country's overlapping sovereignty claims with China. Over the past year or two, several incidents have occurred involving research vessels and navy or coast guard ships of the two countries. China has been particularly assertive in forcing Vietnamese fishing vessels away from the Paracel Islands.

Vietnam has overlapping sovereignty claims in the South China Sea with China, the Philippines and Malaysia. It's sought to leverage support for its claims vis-a-vis China through ASEAN but has been unsuccessful due to some lack of consensus within ASEAN. Australia must be careful not to take any action that might imply support for any of the claims in the South China Sea.

The situation in the South China Sea has led Vietnam both to take action on the diplomatic front and to set in place plans for the expansion of its military forces. Diplomatic action has been within ASEAN, and in establishing defence relations with the US. However, Vietnam may be expected to keep its distance from the US, and we're unlikely to see any significant level of direct cooperation between the military forces of the two countries. As one commentator has observed, it's a 'convergence but not congruence of strategic interests' between the US and Vietnam in the South China Sea (Thayer 2012).

After years of neglect, Vietnam's now rapidly developing its maritime security capabilities with new surface vessels, submarines, and the possible acquisition of long-range maritime patrol aircraft from the US.

### Defence engagement

Australia and Vietnam now have quite a long history of engagement with each other (Thayer 2013b). The *Defence White Paper 2013* notes that Vietnam is a growing defence partner for Australia (DoD 2013a, para. 6.35). A memorandum of understanding on defence cooperation with Vietnam was signed in August 2012. This provides a framework for enhanced cooperation in areas such as strategic-level dialogue, military training and exercises, and HA/DR. It underlines the growing momentum in our strategic cooperation and the relationships between our defence agencies.

As the Department of Foreign Affairs and Trade (DFAT) notes in its Vietnam country profile:

Our defence relationship has developed from a firm base established more than a decade ago. The core of the relationship is an education and training program, including a comprehensive English language program managed by the Australian Defence Force at Vietnam People's Army facilities. The Australian Defence Force also conducts regular ship visits and special forces exchanges. Each year, a number of Vietnamese officers use their English language training to attend higher-level studies at Australian universities, military colleges and military training institutions. Australia is also providing language training and expertise to help the Vietnam People's Army prepare for possible future involvement in UN peacekeeping operations. Cooperation will be increased by building on the strategic dialogue to implement further professional exchanges and, ultimately, exercises. (DFAT 2013h)

### Outlook

Our defence engagement with Vietnam has expanded and matured. We should continue to attach importance to people-to-people links through language training and the offer of education and training places in Australia.

Vietnam is unlikely to want to be involved in combined exercises with other countries, other than those involving 'soft' security issues such as HA/DR and peacekeeping. From an Australian point of view, we should be cautious about being involved in exercises with Vietnam if they involve operations in the South China Sea.

## Myanmar

Myanmar has recently transitioned to civilian government and is undergoing political reform. As Myanmar opens up to the world, Australia is expanding its engagement. Bilateral talks have taken place on security issues of importance to Australia and the region, particularly combating drug trafficking and people smuggling, and there's growing cooperation on border control.

Myanmar's changing role is highlighted by the fact that it will assume the chair of ASEAN in 2014. This provides an opportunity for Australia to extend our links with other ASEAN countries to encompass greater cooperation with Myanmar.

There are many areas in which the interests of Australia and Myanmar intersect and in which cooperation will be mutually beneficial, such as regional security, increasing trade, and addressing regional challenges including climate change, food security and disaster preparedness.

Australia is now easing sanctions on Myanmar and putting in place modest defence cooperation measures.

Recommendations:

- We should institute a 1.5 Track dialogue as a pathway to a strategic dialogue with Myanmar.
- The Vice Chief of the Defence Force and the Defence Department's Deputy Secretary Strategy should visit Myanmar next year.

## Prospects and priorities

The DCP has a long history in Southeast Asia and it settled on a steady course many years ago. To a large extent, we're doing the same things under the DCP that we've always done, albeit with lower budgetary outlays. Where DCP expenditure in particular countries has fallen, the drop invariably reflects the increased modernisation of the defence forces of those countries and a lower level of need. The training and education of foreign military officers in Australia remains an interest of all regional defence forces, including the more advanced ones.

It's now timely to take stock of our priorities for defence engagement in Southeast Asia in the light of this chapter's review of the situation and the interests of each regional country.

Recommendation: The priorities for regional defence engagement should be:

1. Indonesia and Timor-Leste
2. The Philippines (reflecting our major common interests in maritime security)
3. FPDA partners—Malaysia and Singapore
4. Other ASEAN members.

These priorities accord with the strategic importance of the archipelago to our north identified in the *Defence White Paper 2013* (DoD 2013a, para. 2.32), and with the strategic priority that the white paper attaches to Southeast Asia and the maritime environment (DoD 2013a, para. 3.15). In broad terms, maritime Southeast Asia should have higher priority for our defence engagement than continental Southeast Asia.

While these priorities should guide exercises and other forms of bilateral cooperation, we should continue to offer education and training in Australia across the region. In the context of the force expansion and modernisation plans of major regional defence forces (Malaysia, the Philippines, Thailand and Vietnam), Australia has the expertise to offer assistance in developing effective and efficient procurement programs.

Recommendation: Because of our priorities and the importance of maritime security in our near region, a trilateral forum should be established between Australia, Indonesia and Timor-Leste to discuss security issues of common interest in the Timor Sea.



# CHAPTER 3

## The Pacific islands

This chapter reviews our defence engagement with the Pacific island countries (PICs) other than PNG, which is discussed separately in Chapter 4. Most of the PICs dealt with in this chapter do not have defence forces.

Security engagement with PICs has high priority. The *Defence White Paper 2013* identifies the security, stability and cohesion of our immediate neighbourhood as our next most important strategic interest after the security of Australia itself (DoD 2013a, para. 3.13). However, when we consider the relative strategic importance and needs of PICs, they're not necessarily at the same high priority.

New Zealand is a major contributor to security in the South Pacific. The New Zealand Defence Force is continuing to develop and enhance its capabilities with a focus on South Pacific contingencies and cooperation with Australia through initiatives such as the Anzac Ready Response Force (DoD 2013a, para. 2.57). In our region, New Zealand's the country we're most likely to conduct operations with, so it's important that we coordinate our security engagement efforts as much as possible. Several suitable forums are in place, including the Australia – New Zealand Defence Ministers' Meetings at the strategic level.

### Strategic outlook

The PICs lie in the world's largest ocean. They include some of the world's smallest countries in both population and land area. Most have very large EEZs (Figure 7), the resources of which constitute the major economic assets of many of them. For example, Kiribati has a land area of only 80 km<sup>2</sup> and a population of about 100,000, but an EEZ of 3.54 million km<sup>2</sup>—one of the largest in the world. Many PICs are archipelagos spread across a wide expanse of ocean. This creates problems in providing services and protecting sovereignty on remote islands.

The geopolitics of the Pacific islands region have changed markedly in recent years. It's no longer a strategic backwater, and this both poses serious challenges and creates opportunities for our security engagement in the region. Competition for influence is evident between the US and Japan on the one hand and China on the other. The US has increased its aid to the region and has ship-riding agreements with nine PICs to assist their maritime law enforcement. China's now the third largest provider of financial assistance to the PICs after Australia and the US (Hanson and Fifita 2011:4), although some question whether it's in genuine strategic competition with the US in the region or simply pursuing its economic and trade interests (Hayward-Jones 2013).

The PICs' threat perceptions are changing as they become more sensitive to their vulnerability to many forms of illegal maritime activity. While their main concern continues to be illegal fishing, they're growing more aware of other non-traditional security threats. For example, they must protect themselves against illegal entrants and smugglers of drugs, small arms and other contraband. They're extremely prone to natural disasters, particularly cyclones and tsunamis, and climate change and rising sea levels pose serious problems for the low-lying atolls of the region. These threats vary across the region in location and intensity, but many of them are inter-related. There's potential for them to increase without adequate law enforcement and coordination at the national and regional levels.

Figure 7: The Pacific islands



Major gaps are evident in the capabilities available to the PICs for maritime surveillance and enforcement (Bateman and Bergin 2008). They lack both aerial surveillance capability and a surface response capability that can operate a long way from bases. The provision of a follow-on capability for the Pacific Patrol Boats (PPBs) remains a vexed issue for Australian defence cooperation policy (Bateman and Bergin 2008:62).

Collective action is needed to address security threats effectively. Arrangements for HA/DR are needed to give the PICs greater security in coping with the aftermath of natural disasters (Herr and Bergin 2011:42).

A follow-on capability for the Pacific Patrol Boats remains a vexed issue for Australian defence cooperation policy.

Australia remains the largest donor of official development assistance to the PICs. Our annual defence cooperation expenditure in the region dwarfs the contribution of any other country to regional security. However, the ADF's contribution to air and surface maritime surveillance in the South Pacific has declined over the years because of the force's commitments elsewhere, particularly in the Middle East and to Operation Resolute to secure Australia's own maritime approaches.

The National Security Strategy attaches considerable importance to Australian assistance to provide security in the Pacific islands region (see box).

### Key statements in the National Security Strategy

Developing, fragile and conflict-affected states cannot always provide basic services and security. This can render them vulnerable to transnational crime, inter-communal violence fuelled by small arms and light weapons proliferation and, in some cases, terrorism. The resulting instability can cross borders, affecting the security of neighbouring countries, the region, and Australians and Australia's interests.

—pp. 10–11

Australia has an enduring interest in the security, stability and economic prosperity of the Pacific Islands region. In some Pacific island countries, economic, gender, social, security and governance issues continue to hamper sustainable development. If not addressed, these could undermine stability in the region. These issues could also create conditions that could be exploited by malicious state and non-state entities.

Australia will continue to work in partnership with Pacific island countries to address these challenges. Our engagement spans the political, economic, development, environmental and military spheres. It includes collaboration with our regional partners, non-government organisations and multilateral organisations. We cooperate closely with New Zealand on our engagement in the region, including on security, policing and supporting transparent and accountable development.

Coordinated closely with our Pacific partners, Australian aid is helping to build stronger and more sustainable communities, including by helping people prepare for, and respond to disasters.

—p. 38

## Cooperative arrangements

### The Pacific Plan

The Pacific Plan for Strengthening Regional Cooperation and Integration, originally agreed in 2005, provides the overarching political framework for regional cooperation, including security cooperation. The plan is still on the table, but it's lost momentum. The PICs increasingly see it as donor driven (Herr and Bergin 2011:64). Sub-regional developments and internal frictions have also contributed to a drift away from the coherence sought by the Pacific Plan.

### Pacific security partnerships

At the Pacific Islands Forum meeting in Cairns in August 2009, then Prime Minister Kevin Rudd announced bilateral 'Partnerships for Security' with the PICs. At the 2010 meeting of the forum, Australia signed partnership agreements with Kiribati and Samoa. The agreements provide a framework for the coordination of security activities, such as protecting fisheries and combating transnational crime, and for consultation on future security cooperation (Smith 2010).

The Senate Standing Committee on Foreign Affairs, Defence and Trade recommended in 2010 that close attention be given to developing Partnerships for Security that:

- enhance the level of cooperation, collaboration, coordination and interoperability between Australia's various security-related initiatives
- work with bilateral partners to develop security assistance that is appropriate to Pacific nations' level of development and commensurate with their technical and material capacity
- complement the work of regional organisations and become instrumental in forging much closer cooperation and coordination with other donors to the region (SCFADT 2010:110).

### Forum Regional Security Committee

The Forum Regional Security Committee is a meeting organised by the Pacific Forum Secretariat for forum members. It allows them to put forward regional concerns and initiatives relating to security in the Pacific region, including for the prevention of transnational crime. It appears to integrate extra-regional interests effectively, but information sharing within the committee is handicapped because its work is conducted at the lowest levels of security classification and access. A previous ASPI report recommended that Australia take the lead in developing protocols that might free up the work of the Forum Regional Security Committee in this regard (Herr and Bergin 2011:59–60).

### Quadrilateral Defence Coordination Group

The Quadrilateral Defence Cooperation Group (QUAD) is a primarily military group that brings together Australia, France, New Zealand and the US as the four major states with extensive air and maritime surveillance capabilities in the region. The QUAD's mission is to coordinate surveillance support to the PICs. Australia should seek to strengthen the QUAD arrangement to improve its regional capacity for maritime surveillance and law enforcement (Herr and Bergin 2011:4).

### South Pacific Defence Ministers' Meeting

The inaugural South Pacific Defence Ministers' Meeting was held in Tonga in May 2013 (Smith 2013b). It was attended by defence ministers or their representatives from Australia, Chile, France, New Zealand, PNG and Tonga, who agreed to meet annually. The first meeting reviewed opportunities to enhance regional cooperation on maritime security, as well as avenues to deepen coordination on disaster relief. It agreed to the establishment of a new framework for regional multilateral exercises that will maintain and enhance operational familiarity between our forces. Exercises will be conducted under the banner of Exercise Povai Endeavour.

The South Pacific Defence Ministers' Meeting process is an important development but it has drawbacks: only countries with military forces are represented, and many of the activities discussed at the meeting are not primary responsibilities of military forces. The joint communique issued after the inaugural meeting acknowledged these limitations, noting the wide range of agencies and organisations that play important roles in responding to regional security challenges, including military and police forces, aid agencies, customs, fisheries and border protection organisations, justice departments, non-government bodies and community groups. It also noted the importance of involving partner states (presumably a reference to the PICs without defence forces) in areas of common interest, such as HA/DR and maritime surveillance.

## Sub-regionalism

While we've traditionally thought of the South Pacific as a discrete region, deep cleavages now emerging in the regional system hinder the maximisation of regional outcomes (Herr and Bergin 2011:57). To some extent, the cleavages reflect ethnic divisions among the Melanesian, Micronesian and Polynesian PICs and a trend towards separate sub-regional groupings (the Melanesian Spearhead Group, the Council of Micronesian Chief Executives and the newly formed Polynesian Leaders Group). The Micronesian forum includes Nauru and Kiribati as well

as the former US trust territories. Both the Melanesian Spearhead Group and the Micronesian forum can act as separate caucuses at meetings of the Pacific Islands Forum.

The Melanesian Spearhead Group in particular identifies itself as a sub-regional organisation ‘in its own right’. Fiji is a founding member of the group, so the group’s meetings have sharpened its divide from the Pacific Islands Forum in the wake of Australia’s imbroglio with Fiji (Herr and Bergin 2011:53). Other members are PNG, Solomon Islands and Vanuatu, as well as the Kanak and Socialist National Liberation Front (FLNKS) of New Caledonia.

Sub-regionalism has also been spurred to some extent by the major donor countries concentrating their assistance on the PICs with which they have closer relationships—the US on the Micronesian countries and France on the PICs adjacent to the French territories.

Regional cleavages are also apparent in the emergence of two sub-regional blocs within the Forum Fisheries Agency: the Nauru Agreement brings together the Micronesian countries with PNG, Solomon Islands, Nauru and Tuvalu, while the Te Vaka Moana brings together the Cook Islands, Niue, Samoa, Tokelau and Tonga, with New Zealand as a central player.

In pursuing defence cooperation programs and engagement with the PICs, we need to appreciate the differences between the sub-regions. One size doesn’t fit all.

## Defence cooperation

The DCP in the South Pacific has a long history. Tables 4 and 5 and figures 8, 9 and 10 show annual DCP expenditure for each PIC between 2000–01 and 2013–14. To date, this expenditure has tended to fall in all countries with the exception of Tonga, where it’s remained fairly constant over the years. In 2013–14, DCP funding to the South Pacific will be \$27.88 million, up by around \$4.25 million from 2012–13 (not including PNG).

In the South Pacific, the DCP continues to provide assistance to regional defence and police forces through support to the PPB Program, the provision of in-country advisers and infrastructure development, and support for participation in bilateral and multilateral exercises. The PPB Program is by far the largest DCP project in the region.

Figure 8: Shares of DCP expenditure in the South Pacific, 2000–01

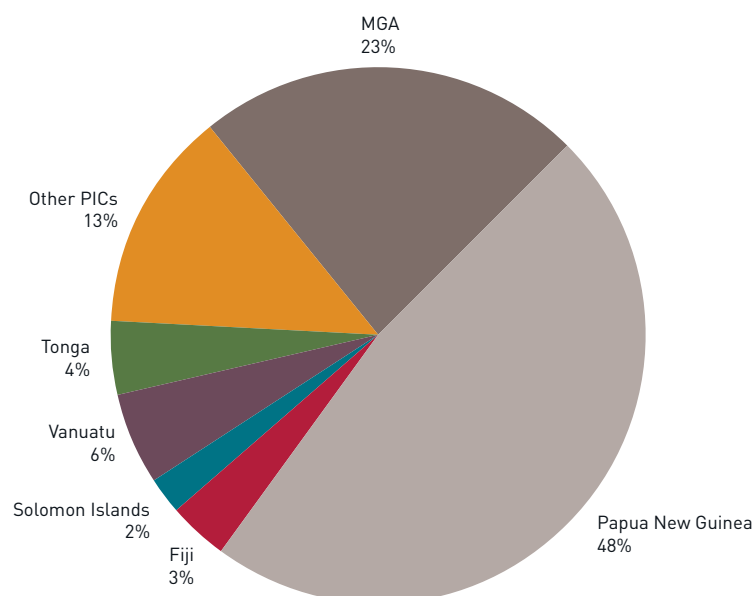


Figure 9: Shares of DCP expenditure in the South Pacific, 2011–12

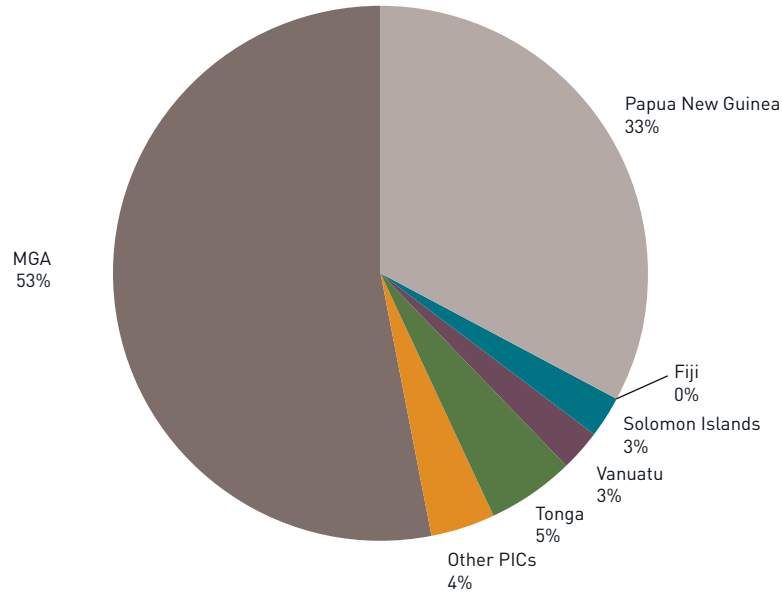


Table 4: DCP expenditure in the South Pacific, major allocations, 2000–01 to 2013–14 (\$)

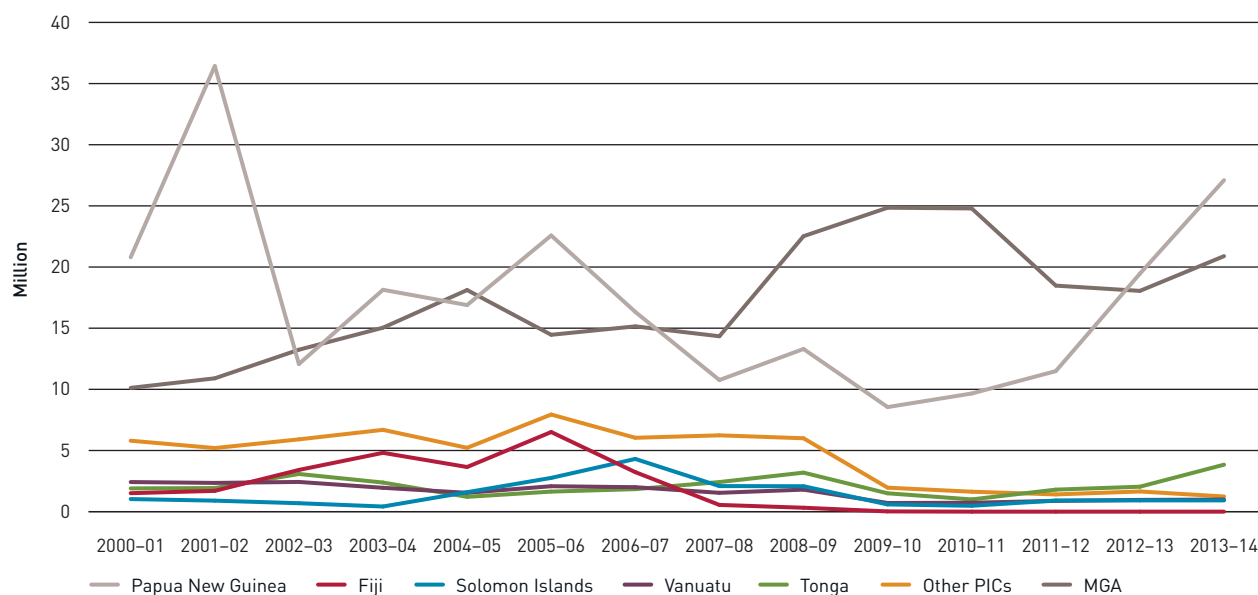
Year	Fiji	Solomon Islands	Vanuatu	Tonga	Other PICs	MGA	Total
2000–01	1,513,513	1,028,864	2,419,184	1,897,983	5,796,835	10,115,360	22,771,739
2001–02	1,697,114	900,483	2,346,514	1,932,423	5,201,766	10,899,131	22,977,431
2002–03	3,406,314	687,149	2,431,253	3,080,014	5,914,342	13,243,936	28,763,008
2003–04	4,811,190	417,603	1,952,983	2,378,088	6,694,154	15,037,471	31,291,489
2004–05	3,647,736	1,591,318	1,542,617	1,209,012	5,219,571	18,118,144	31,328,398
2005–06	6,512,394	2,764,152	2,076,347	1,641,325	7,937,381	14,459,184	35,390,783
2006–07	3,229,812	4,307,565	1,999,243	1,838,384	6,036,795	15,145,994	32,557,793
2007–08	554,949	2,092,070	1,541,525	2,422,397	6,243,175	14,341,696	27,195,812
2008–09	315,922	2,081,628	1,796,000	3,190,604	6,004,695	22,522,489	35,911,338
2009–10	21,024	587,648	709,592	1,496,978	1,956,370	24,848,365	29,619,977
2010–11	0	484,390	734,727	996,257	1,631,254	24,793,483	28,640,111
2011–12	0	909,000	879,000	1,802,000	1,406,000	18,482,000	23,478,000
2012–13	0	924,000	964,000	2,044,000	1,649,000	18,051,000	23,632,000
2013–14	0	924,000	986,000	3,841,000	1,242,000	20,889,000	27,882,000

Note: PICs stands for Pacific island countries. MGA stands for multilateral general assistance.

Table 5: DCP expenditure in other South Pacific countries, 2000–01 to 2013–14 (\$)

Year	Cook Islands	Federated States of Micronesia	Kiribati	Palau	Marshall Islands	Samoa	Tuvalu	Total
2000–01	305,951	1,088,430	1,012,619	888,072	749,987	724,266	1,027,510	5,796,835
2001–02	403,574	1,113,444	858,416	591,558	840,012	682,263	712,499	5,201,766
2002–03	404,355	1,085,107	1,172,120	827,905	1,218,186	675,632	531,037	5,914,342
2003–04	406,350	1,274,065	1,062,763	988,994	1,450,358	731,431	780,193	6,694,154
2004–05	318,994	967,940	579,546	942,372	827,924	734,173	848,622	5,219,571
2005–06	300,988	1,162,801	746,591	1,140,462	1,002,901	2,742,988	840,650	7,937,381
2006–07	365,379	960,556	716,970	1,078,902	1,053,624	841,061	1,020,303	6,036,795
2007–08	495,490	987,677	842,333	889,680	935,926	550,544	1,541,525	6,243,175
2008–09	332,151	1,018,093	800,626	612,371	1,117,631	922,884	1,200,939	6,004,695
2009–10	137,713	272,273	497,240	182,917	433,114	201,839	231,274	1,956,370
2010–11	116,009	237,107	269,671	160,785	334,799	131,273	381,610	1,631,254
2011–12	99,000	138,000	367,000	222,000	270,000	59,000	251,000	1,406,000
2012–13	114,000	238,000	351,000	214,000	269,000	169,000	294,000	1,649,000
2013–14	134,000	161,000	171,000	235,000	190,000	108,000	243,000	1,242,000

Figure 10: DCP expenditure in major recipient Pacific countries, 2000–01 to 2013–14 (\$ million)



## Maritime security

The PPB Program is the major component of our support for regional maritime security. The program involved the donation of 22 patrol boats to 12 PICs between 1987 and 1997, and has been a major success story for the DCP. However, the boats are now getting old. Even with a life-extension refit and a third major refit, the first of the PPBs will reach the ends of their lives by 2017.

### Funding issues

Because many PICs face challenges in fully supporting their patrol boats, Australia continues to fund much of the required maintenance and support. We allocated \$26.3 million for that purpose in 2011–12 (not including the funds for PNG, Solomon Islands and Tonga). Around \$20 million will be allocated in 2013–14. The Defence Materiel Organisation manages the PPB maintenance program.

Getting an accurate picture of the costs of the PPB Program has proven difficult. The reporting of costs related to the program has differed over the period from 2001 to 2012. During the earlier part of the period, many Defence annual reports stated that the cost of the program for the given financial year had been included under 'multilateral general assistance'. However, from 2009–10 the reports no longer stated that multilateral general assistance expenditure was primarily related to the PPB Program. The 2009–10 report said that multilateral general assistance supported maritime surveillance activities (which involved PPBs) and aerial maritime surveillance activities. The 2010–11 report said nothing about PPB Program expenses under multilateral general assistance, which is a change from all previous years. The 2011–12 report made no statement about program expenses under multilateral general assistance.

Specific PPB Program expenditure figures have been made publicly available for the years from 2008 to 2012. However, the way expenditure has been reported in the Defence unclassified fact sheet 'Pacific Patrol Boat Program' is ambiguous, as it splits the costs into three separate categories (see Table 6): PPB Program (International Policy Division), PPB Program (Defence Materiel Organisation component), and 'PPB Countries (not including PNG, Solomon Islands, Fiji, and Tonga—separate briefs refer)'. This suggests that for PNG, Solomon Islands, Fiji and Tonga there are other PPB Program related costs. However, Defence hasn't provided the separate PPB Program expense briefs for those countries. At some point, PPB Program expenses must have been removed from the multilateral general assistance line item, as all the program costs for years from 2008 to 2012 exceed the total amount of multilateral general assistance for those years.

Table 6: Pacific Patrol Boat Program funding, 2008–09 to 2011–12 (\$)

Year	Pacific Patrol Boat Program (IP Division)	Pacific Patrol Boat Program (DMO component)	Pacific Patrol Boat Countries (not including PNG, Solomon Islands, Fiji and Tonga – separate briefs refer)	Total
2008–09	1,540,665	21,053,231	3,897,103	26,490,999
2009–10	1,307,753	23,540,612	2,665,966	27,514,331
2010–11	1,394,150	23,399,333	2,365,984	27,159,467
2011–12	1,206,000	22,782,000	2,353,000	26,341,000

### Pacific Maritime Security Project

Australia's support for maritime security in the PICs following the PPB Project has been a vexed issue. This is the subject of the Australian Pacific Maritime Security Project (PMSP), which is still in the concept development stage despite many years of consideration. Defence is due to report a final assessment of options to government in 2013. There's nothing in the Defence Forward Estimates on the PMSP. This leaves a very short lead time for Australia to gain the PICs' acceptance of the preferred option, start the acquisition process, develop any new infrastructure required and commence the training of personnel.



It's unlikely that any other form of security engagement could have the same impact on the region as the PPB project, with its patrol boats and in-country advisers has had. With no way ahead yet agreed, Australia's in no position to make promises about what we may be offering, despite past assurances to the PICs in that regard.

The *2013 Defence White Paper* states that the government will bring forward the replacement of the Armidale class patrol boats, seeking local construction. This could affect the PMSP.

Responsibility for the PMSP was transferred back to Defence from the ACBPS in February 2012. Defence leadership for the project is important, as the Defence organisation has the overall strategic perspective. Regional maritime security will always be an important component of our defence cooperation with the PICs, even though only three PICs actually maintain defence forces. Similarly, Defence has a central role in our multilateral and bilateral security engagements in the region through the QUAD. RAAF maritime surveillance flights and occasional patrols by RAN warships, including a ship-rider program similar to that of the US, may be important elements of our maritime security assistance to the region. Our naval advisers have also been important symbols of Australia's security interest in the region and central to the access Australia has enjoyed as a result of the PPB Program.

The *Defence White Paper 2013* makes a strong commitment to the PMSP:

The centrepiece of the Program will be the gifting of a fleet of vessels to replace the existing Pacific Patrol Boats, which need replacing over the period 2018–2028. This fleet of vessels is planned to be provided across all states that currently have Pacific Patrol Boats (including Fiji upon a return to democracy). The Program will also propose to enhance practical cooperation across the South Pacific including through strengthening governance structures that support maritime security and the provision of aerial surveillance, advisory support and support to regional coordination centres. (DoD 2013a, para. 6.58)

At the recent South Pacific Defence Ministers' Meeting, our Defence Minister noted that options for the PMSP range from a straightforward patrol boat replacement program through to a coordinated surveillance and response arrangement, including the development of a regional multilateral development assistance agency modelled on the Forum Fisheries Agency. Australia will soon begin a series of consultations with regional states, key regional institutions and partner nations to inform and refine options for the PMSP.<sup>9</sup> Unfortunately, this could be seen as an admission of a lack of progress with the PMSP, since the project was originally announced at the 2009 Pacific Islands Forum Leaders Meeting.

The Minister for Defence also noted three other key activities that Australia would soon implement to help support regional maritime security:

- a regional aerial surveillance trial with PICs, using existing aviation infrastructure and assets in those countries, that would improve maritime domain awareness and allow regional militaries and police forces to patrol their EEZs more effectively
- the provision of equipment and software to the Forum Fisheries Agency to strengthen the capacity of the agency's Regional Fisheries Surveillance Centre
- subject to agreement with the Forum Fisheries Agency, support for the attachment of regional personnel (from police, defence or other relevant agencies) to the Regional Fisheries Surveillance Centre.

## Pacific Partnership

Australia also participates in the Pacific Partnership—a series of combined humanitarian assistance missions in the South Pacific that began in 2006 and have since occurred annually. The amphibious landing ship USS *Pearl Harbor*, HMAS *Tobruk* and HMNZS *Canterbury* will participate in the 2013 mission, while personnel from Canada, France, Japan and Malaysia will also assist in providing aid and medical care during visits to Samoa, Tonga, the Marshall Islands, PNG, Kiribati and Solomon Islands. Doctors, dentists and veterinarians will join the trip, along with experts in public health and disaster response.

## Melanesia

### Solomon Islands

Solomon Islands is a large archipelagic state comprising four separate archipelagos (the Main island group, Ontong Java, the Santa Cruz Islands, and Rennell and Bellona Islands) with a total EEZ of 1.34 million km<sup>2</sup>. The country's population is spread across the islands, and the alienation of some islands from the capital in Honiara has been one of the causes of the political unrest it's experienced over the past decade. The country has no defence force; security is maintained by the Royal Solomon Islands Police Force. Solomon Islands is a priority for our defence regional engagement.

ADF involvement in the Regional Assistance Mission to Solomon Islands (RAMSI) has been the main focus of our defence engagement with Solomon Islands, but that involvement is now running down after the restoration of law and order. Defence will maintain a small ADF presence after RAMSI consisting of attachés, personnel supporting the PPBs and a commander seconded to the Forum Fisheries Agency. The current strategic purpose of our defence relationship with Solomon Islands is to maximise our influence over its security thinking. This is achieved through a range of activities, including specific Defence activities to promote the country's maritime surveillance capability, develop an in-country explosive ordnance disposal capability, and take up options for the ADF to conduct exercises and training in-country. These activities are mainly funded through the Solomon Islands DCP.

Also through the DCP, Australia provides funding for the operations and exercise participation of the Solomon Islands' two PPBs, *Lata* and *Auki*, which are operated by the Royal Solomon Islands Police Force. Over the years, the PPBs have been used mainly for border patrols and internal security tasks, rather than for fisheries surveillance. There have been some problems with crew morale due to the lack of payment of allowances by the Solomon Islands Government.

### Vanuatu

Vanuatu is an archipelagic state of some 80 islands with an EEZ of 680,000 km<sup>2</sup>. Economic growth has been uneven over the years due to earthquakes, cyclones and bouts of political instability. There is no defence force but two police wings: the Vanuatu Police Force and the paramilitary Vanuatu Mobile Force.

The Melanesian Spearhead Group is headquartered in Port Vila. A secretariat building constructed by China was handed over to the group in November 2007.

The bilateral relationship with Australia has its problems. In May 2012, for instance, Vanuatu expelled Australian Federal Police personnel on various operations in the country. This was in retaliation for what it described as the 'disrespectful' way its prime minister, Sato Kilman, was treated during a visit to Australia.

Vanuatu has one PPB, *Tukoro*, operated by the Vanuatu Police Maritime Wing. The PPB Project plays an important part in Australia's bilateral relationship with Vanuatu and has been generally successful.

The current DCP in Vanuatu covers the costs of two naval advisers, training in Australia, participation in multilateral operations and exercises, and upgrades to facilities at the Police Maritime Wing base at Mala. Expected costs in 2012–13 were \$1.10 million, excluding personnel and housing costs.

Vanuatu should be a high priority for our defence engagement. It's geographically close to Australia and there are commensurate risks of interactions with transnational criminal activities and maritime security concerns. Defence engagement is highly regarded as an important part of the bilateral relationship.

Recommendation: Vanuatu should be one of our priorities for strategic engagement in the Pacific islands region. The Defence organisation should coordinate its activities with the capacity-building work of the Australian Federal Police with the Vanuatu Mobile Force.

## Micronesia

Micronesia has become an important strategic axis where the interests of China, Japan, Taiwan and the US intersect. Japan has a strong interest in the three former US trust territories—the Federated States of Micronesia (FSM), the Republic of the Marshall Islands and the Republic of Palau—which were League of Nations mandated territories under Japan before World War II.

Since 2008, the Nippon Foundation and Sasakawa Peace Foundation of Japan have sponsored a project for strengthening the maritime surveillance capacity of the Micronesian region, along with the governments of Palau, the FSM, the Marshall Islands, Australia, Japan and the US. Despite the relationship of this project with the PMSP, Australian participation has been carried forward by DFAT rather than Defence.

The plan to implement the project from the 2011 fiscal year was approved at the third meeting of the participants in Palau in November 2010. It comprises the following elements:

- a coordination centre for the Micronesian region to improve law enforcement coordination and share vessel monitoring system data (although there's a risk that this centre might duplicate what's already done through the Forum Fisheries Agency)
- provision of 10-metre craft for local law enforcement duties (due to their small size, these craft are not suitable for offshore surveillance)
- fuel and maintenance support for small craft and fuel support for the existing joint operation
- a vehicle and trailer for the small craft
- the construction of boat ramps
- upgrading communication capabilities
- providing emergency power generators
- conducting a feasibility study and environmental assessment for the construction of a fuel tank at Kapingamarangi Atoll.<sup>10</sup>

The total cost of these contributions hasn't been stated but it would be much less in initial outlays and annual costs than the assistance that has been provided by Australia to the Micronesian countries and is still being provided. However, the project has the potential to produce a lot of goodwill for Japan.

## Federated States of Micronesia

The FSM consists of four states (Kosrae, Pohnpei, Chuuk and Yap) spread across a wide area of the Pacific Ocean just north of the equator. The total EEZ is 2.9 million km<sup>2</sup>. The waters around the FSM are among the world's most productive fishing grounds. Fishing licence fees are a large source of national income.

The FSM remains closely aligned with the US through a compact of free association signed in 1986 and renewed in 2004. Under the compact, the US controls military access to the FSM and requires the FSM to refrain from any action that the US believes to be incompatible with its obligations to defend the country.

The FSM has three PPBs: *Palikir*, *Micronesia* and *Independence*. They're operated by the Maritime Wing of the National Police. The FSM Government has been a strong supporter of the PPB Project. From an Australian perspective, the project has facilitated Australian access at the highest levels of government and supported good relations between the two countries. In addition to fisheries protection, the boats are used for a wide range of national tasks.

The DCP in the FSM covers the costs of two in-country naval advisers, PPB crew training in Australia and participation in multilateral surveillance activities. Expected costs in 2012–13 were \$238,000, excluding personnel and housing costs.

## Republic of the Marshall Islands

The Republic of the Marshall Islands consists of a large number of islands and atolls with a total EEZ of 2.1 million km<sup>2</sup>. The country's compact of free association with the US, which was renewed in 2003, provides for US aid and defence of the islands in exchange for continued US military use of the missile testing range at Kwajalein Atoll. Fisheries are the main source of income, although the country also has a large open registry for international shipping.

The Marshall Islands has one PPB, *Lomor*, operated by Sea Patrol, which is part of the Ministry of Justice and effectively a national coast guard. The PPB Project has proven to be an excellent catalyst for good relations between Australia and the islands. The Marshall Islands Government has expectations of Australia continuing its assistance.

## Republic of Palau

Palau consists mainly of an archipelago of 26 islands with an EEZ of about 629,000 km<sup>2</sup>. The country's compact of free association with the US has a duration of 50 years, which is longer than those of the FSM and the Marshall Islands. Fishing and tourism are the major income earners. Because Palau is close to Indonesia and the Philippines, it's vulnerable to high levels of illegal fishing.

Japan has taken a particular interest in providing assistance to Palau. Recognising Palau's strategic location in the corner of the Pacific between Indonesia and the Philippines, Tokyo used it as the headquarters for the Japanese mandated territories after World War I. The country is now the Sasakawa Peace Foundation's preferred location for the Micronesian Surveillance Centre.

Palau has one PPB, *President H.I. Remelik*, which is operated by the Division of Marine Law Enforcement in the Bureau of Public Safety. The PPB has a high profile in Palau and has generally been very successful in maritime enforcement and other national tasks. It's also added significantly to Australia's profile in Palau. The PPB recently completed its life extension program. Current DCP funds cover the costs of two in-country advisers, crew training in Australia and participation in multilateral surveillance activities. Expected costs in 2012–13 were \$214,000, excluding personnel and housing costs.

## Kiribati

The Republic of Kiribati consists of several widely dispersed island groups stretching east to west over about 2,800 nautical miles of ocean. It has an EEZ of 3.54 million km<sup>2</sup> (one of the world's largest) in three separate areas: the Gilbert group, the Phoenix Island group and three interconnecting Line Island groups. Due to the size of its EEZ, Kiribati faces daunting problems in managing the zone and protecting its marine resources.

Kiribati has one PPB, *Teanoai*, operated by the Police Maritime Unit of the Kiribati Police Force. The *Teanoai* is required to conduct very lengthy patrols, including an occasional patrol to the most easterly Line Island group. Kiribati greatly appreciates the nation-building contribution of the PPB project in helping it maintain sovereignty and sovereign rights over its wide oceanic domain. It could readily employ extra patrol boats.

DCP talks with Kiribati have been subsumed into Pacific Security Partnership talks led by DFAT. The DCP in Kiribati currently covers the costs of two in-country naval advisers to the Police Maritime Unit, training for the PPB crew and participation in multilateral activities. Expected costs in 2012–13 were \$351,000, excluding personnel and housing costs.

## Polynesia

### Cook Islands

The Cook Islands consists of two main island groups with an EEZ of 1.83 million km<sup>2</sup>. After being a British protectorate and later a dependency of New Zealand, the Cook Islands became self-governing in free association with New Zealand in 1965. New Zealand retains primary responsibility for external affairs and defence. US Secretary of State Hillary Clinton visited the islands in August 2012.

The Cook Islands has one PPB, *Te Kukupa*, which is operated by the Cook Islands Police Maritime Division. The PPB has been well regarded as an effective deterrent against illegal fishing. It's also been used extensively for other tasks, including search and rescue, disaster relief, medivacs and sovereignty protection. It has one of the highest usage rates among the PPB fleet.

The DCP in the Cook Islands is currently restricted to patrol boat crew training and support for multilateral surveillance activities. The Royal New Zealand Navy provides the in-country naval advisers. Expected costs in 2012–13 were \$114,000, excluding personnel and housing costs.

### Fiji

Fiji, an archipelagic state with an EEZ of 1.29 million km<sup>2</sup>, is partly in Melanesia and partly in Polynesia. Australia has restricted diplomatic relations and imposed various sanctions as a consequence of the military takeover in 2006 and Fiji's failure to hold democratic elections. The DCP with Fiji has also been suspended, although in 2011 Fiji participated in Operation Kuru Kuru, the annual Pacific maritime surveillance and law enforcement operation coordinated by the Forum Fisheries Agency. The bilateral defence engagement remains hostage to the broader political relationship. There are no prospects for reinstating engagement until the political scene improves.

A recent ASPI report recommended that the relationship between Australia and Fiji be addressed at the highest level and that, as a minimum, the regional sanctions against Fiji be lifted to re-engage Australia and Fiji through the Pacific Islands Forum on a non-prejudicial basis (Herr and Bergin 2011:5). There's a strong case for repairing the relationship with Fiji. The deleterious effects of the current situation cascade throughout the regional system. Many aspects of regional cooperation require the participation of Fiji. Also, while Australia's relations with Fiji are suspended, we're losing our influence relative to China.

Maritime security is a major concern for Fiji, which has played an important role in regional maritime security arrangements in the past.

Fiji has three PPBs, *Kula*, *Kikau* and *Kiro*, which are among the newest PPBs because of the country's initial hesitation about being involved in the PPB Program. They're operated by the Naval Division of the Republic of Fiji Military Forces (RFMF), and have been used extensively for a range of government activities on the outer islands of the archipelago. The boats have had a good operational record but their current condition is not known. Assessing their condition may be a priority requirement when defence relations are restored.

When normal Australia–Fiji relations are restored, the RFMF will remain part of the Fijian political scene. That means that our defence engagement with Fiji will be an important part of the bilateral relationship.

#### Recommendations:

- The participation of Fiji should be factored into planning for the PMSP.
- As soon as normal diplomatic relations are restored, we should post a defence attaché to Suva, post ADF officers to assist at the RFMF Officer Training School and restore RFMF officers to our military staff courses.

## Samoa

Because Samoa is locked in geographically between other PICs, its EEZ of about 120,000 km<sup>2</sup> is the smallest in the region. Samoa has one PPB, *Nafanua*, which is operated by the Police Maritime Wing. In addition to fisheries protection, search and rescue has been a major part of the vessel's activities. Ineffective management, crew shortages and poor morale over the years have been problems. The *Nafanua* has a low usage rate compared with other PPBs.

Current DCP spending covers the costs of two in-country advisers, crew training in Australia and participation in multilateral surveillance activities. Expected costs in 2012–13 were \$169,000, excluding personnel and housing costs.

## Tonga

The Kingdom of Tonga is an archipelago of 172 islands in three main groups, with an EEZ of about 720,000 km<sup>2</sup>. It's a constitutional monarchy in which the monarch retains significant power. The Tonga Defence Services are a small, capable and professional force that contributes to both regional and international peacekeeping.

Tonga has three PPBs operated by the Tongan Navy, which is part of the Tonga Defence Services. The PPB project has been highly successful overall, without the crewing and maintenance problems experienced in some other PICs. One of the PPBs has been employed on occasional hydrographic tasks.

Australia has continued to support the deployment of Tongan contingents to RAMSI, and in November 2010 commenced support to Tongan deployments to Afghanistan. We provide training, force preparation assistance and transportation to support that mission.

The current DCP in Tonga covers the costs of four ADF advisers (three with the PPBs and a training and doctrine staff officer), training in Australia and upgrades to facilities at the Masefield Naval Base. Expected costs in 2012–13 were \$2.04 million, excluding personnel and housing costs. HA/DR arrangements are likely to be part of defence cooperation with Tonga in the future.

## Tuvalu

Tuvalu comprises nine low-lying coral atolls with a total EEZ of 725,000 km<sup>2</sup>. Because of their low elevation, the islands that make up this nation are threatened by current and future sea-level rise.

Tuvalu has one PPB, *Te Matali*, which is operated by the Police Department. The PPB Program is regarded as highly successful, and has been a prominent part of Tuvalu's bilateral relationship with Australia. The boat has been used for many medivacs and search and rescue missions, as well as against illegal fishing.

Current DCP spending covers the costs of two in-country advisers, crew training in Australia and participation in multilateral surveillance activities. Expected costs in 2012–13 are \$294,000, excluding personnel and housing costs.

## Prospects and priorities

This country-by-country review of our security engagement in the Pacific islands region confirms that the PPB Program has been the cornerstone of that engagement. If anything, the importance of the project as a major source of Australia's influence in the region has grown over the years.

### Pacific Maritime Security Project

The PMSP, when implemented, should have a similar impact in the region. However, the PMSP has been plagued by delays, procrastination and 'buck-passing' between Defence and the ACBPS. It should now be the highest priority of the DCP. But it's surprising that nothing has been included for the project in the Defence Forward Estimates.

Australian support for a Regional Maritime Coordination Centre should be an important part of the PMSP. This is required for the effective detection of threats and the coordination of regional responses among the PICs and between them and the donor countries.

Recommendation: The highest priority should be attached to implementing the PMSP as the cornerstone of our security engagement in the Pacific islands region.

The highest priority should be attached to implementing the PMSP...

## Regional cooperation

Security cooperation in the region still falls short of desirable levels. Several forums have interests in promoting cooperation, but all could be made more effective. The trend towards sub-regional groupings is an emerging difficulty.

Recommendations:

- The trend towards sub-regionalism should be acknowledged as we develop plans for our future security engagement in the region.
- Australia should take the lead in developing protocols to overcome the current security restrictions on the work of the Forum Regional Security Committee.
- Australia should seek to strengthen the QUAD's capacity for maritime surveillance and law enforcement.

## Country priorities

In line with the need for maritime security in the archipelagic arc to our north and northeast, the priority countries for our security engagement in the Pacific islands region should be PNG, Solomon Islands and Vanuatu.

Recommendation:

- Along with the PMSP, a Coral Sea maritime security forum should be established to bring together Australia, PNG, Solomon Islands, Vanuatu and the French authorities in New Caledonia to discuss maritime security cooperation and information sharing in the Coral Sea region.

# CHAPTER 4

## Papua New Guinea

PNG has for some time been reluctant to be treated as just another PIC (Herr and Bergin 2011:24). Its economic growth rate and its budgetary situation have improved significantly in the past decade, underpinned largely by high global commodity prices and a boom in its mining industry. The PNG economy grew by an estimated 7.4% in 2012, and real gross domestic product is projected to grow at the same annual rate over the period from 2013 to 2017 (EIU 2013).

### Outlook

It's likely that PNG's favourable economic outlook will boost its confidence and carry through to its defence sector, resulting in plans to increase national defence spending and expand the PNG Defence Force (PNGDF). This might lead to expectations of increased assistance from Australia.

The *Defence White Paper 2013* commits the government to deepening Australia's longstanding defence relationship with PNG, to support the PNGDF's sustainability and ability to perform constitutionally mandated tasks professionally (DoD 2013a, para. 6.59). Along with Indonesia, PNG should have the highest priority among our bilateral defence engagements.

Our DCP expenditure in PNG is much larger than DCP spending in all the other PICs put together. There have been relatively few RAN ship visits and a lower than desirable engagement by other elements of the ADF. However, DCP activities and expenditure are planned to increase significantly over the next five years.

### Strategic importance

By virtue of geography, PNG is an important factor in Australia's security. It's a top priority for both defence cooperation and regional engagement. Maritime security is a key concern of both countries and should figure prominently in our engagement priorities.

PNG is one of the largest archipelagic states in the Pacific region. Its EEZ of 3.1 million km<sup>2</sup> is the third largest in the region, after those of Kiribati and French Polynesia. Some parts of the EEZ north of the main islands are very remote, while there's also a 'dog-leg' of EEZ stretching into the Arafura Sea west of Torres Strait. Maintaining surveillance of this large area is difficult.

Border security is a problem for PNG. It has a long land boundary with Indonesia, and maritime boundaries with Indonesia in the north and south, Australia in the south, the FSM in the north, and Solomon Islands in the east. All these borders, particularly those with Australia, Indonesia and Solomon islands, are vulnerable to illegal movements of people, drugs and arms. Security in the Torres Strait is a particular concern of both Australia and PNG.



## Bilateral relationship

During a visit by Prime Minister Gillard to PNG in May 2013, she and the Prime Minister of PNG signed the Joint Declaration for a New Papua New Guinea – Australia Partnership.<sup>11</sup> This builds on a declaration of principles signed by the two countries in 1987. It affirms both countries' commitment to deepening ties and to working together in the region to benefit from the opportunities presented by the Asian century. The joint declaration identifies maritime and border security, regional peacekeeping and disaster relief as specific mutual security interests.

The prime ministers also signed a new defence cooperation arrangement that reflects Australia's and PNG's mutual security interests and provides a practical set of principles to guide our future cooperation under the DCP.

## Defence cooperation

Our DCP with PNG is unique in many ways. PNG is our largest Pacific island neighbour and has a significant, and sometimes problematic, defence force. We have long and deep historical connections with PNG in the economic, political, social and cultural spheres. The security of PNG is of great importance to us for reasons of strategic access, strategic warning and strategic denial. A secure and friendly PNG is a great strategic asset for Australia, but an insecure or unfriendly PNG would be a major strategic liability. Defence cooperation is the prime means of achieving our objectives in the military sphere, and it's most important that it doesn't fail.

Unsurprisingly, our DCP with PNG is by far our largest single country program. In 2013–14, we are projected to spend about \$27 million on the program in PNG, up by more than \$7 million from 2012–13.

Australia has 24 ADF personnel in attaché, in-line, adviser and liaison officer roles in PNG. It's planned to increase this number over the next few years with 50 additional (mainly Army) personnel in training and mentoring positions. The objective is to build a professional, capable and sustainable PNGDF as a good regional partner for the ADF.

Over the years, PNG has diversified its defence relations with other countries. From an initial almost total reliance on Australia, it now has defence agreements with New Zealand and the US. It's established military ties with Indonesia, Malaysia, Singapore, China and Fiji, and bought military aircraft from Israel and Spain (May and Laki 2009:263). PNG currently contributes a platoon to RAMSI on a rotational basis and provides a handful of military observers to two UN peacekeeping missions.

## Historical factors

Australia has a long history of defence engagement in PNG, but the relationship has had its ups and downs since PNG's independence in 1975. As we contemplate increasing our defence cooperation with PNG, it's most important that we get things right and don't repeat some of the unfavourable experiences of the past.

The PNGDF has had a chequered career since it was established in the early 1970s. It didn't come out of the 1990s Bougainville conflict well, after accusations of human rights abuses and acts of defiance against the civil authority. It's also suffered seriously from shortages of resources, poor discipline and occasional tensions between the military and the civil authority.

These problems were in part a legacy of the arrangements that Australia established in PNG before the country's independence. A marked expansion of the Australian defence presence in PNG occurred in the 1960s and early 1970s. This included large new barracks complexes, including accommodation blocks, headquarters, workshops, stores depots and married quarters, in Port Moresby (Murray, Taurama and Goldie River Barracks), Lae and Wewak and at HMAS *Tarangau* on Manus Island. At independence, the PNGDF numbered about 3,600 personnel, including 490 Australian officers and men (May and Laki 2009:263). This establishment was too large and top

heavy, with headquarters, administrative and logistic support well beyond the capacity of an independent PNG to support. This was a root cause of many of the PNGDF's subsequent problems.

Fears of a threat from Indonesia were the strategic justification for the military build-up in the 1960s and early 1970s. However, the build-up was also facilitated by the ready availability of ADF personnel, particularly Army, after the withdrawal of Australian forces from Vietnam. There's now a risk of history repeating itself if we boost the number of ADF personnel in PNG as they become available following our withdrawal from Afghanistan and Timor-Leste.

After a series of serious riots by soldiers across the country in the late 1990s, it was clear that the PNGDF was in need of major overhaul. The Commonwealth Secretariat asked an eminent persons group to review the responsibilities, structure and capabilities of the force. In its report in March 2001, the group argued that the country wasn't well served by a military that was overstaffed, poorly managed and badly disciplined. A key recommendation was a dramatic reduction in force size from the 4,150 to 1,900 within six months through a voluntary release scheme (May and Laki 2009:272).

The PNG Government generally accepted the recommendations, and Australia undertook to provide additional funds under the DCP to support the defence reform program. The aim was to stabilise the PNGDF by making it smaller, more affordable and better managed. We initially provided \$20 million, which included funding for the redundancy program to downsize the PNGDF. After PNG committed to a downsized PNGDF of 2,000, the Australian Government agreed to provide a second and final tranche of financial support of up to a further \$20 million for the redundancy program (DoD 2003:170).

While the reform program was necessary, there were some unfortunate consequences. Because Australia was funding much of the downsizing, we were blamed by discontented soldiers for the non-payment of allowances and delays in arrangements to repatriate them to their home villages (May and Laki 2009:273). Many of the subsequent difficulties of the PNGDF Air and Maritime elements can also be traced to declining skill levels after many of their more skilled technical personnel took voluntary redundancy. This led to air safety concerns that caused Australia to withdraw its support for the Air Element for some years.

Some stability has returned to the PNGDF over the past 10 years.

Some stability has returned to the PNGDF over the past 10 years. It's been given a greater role in nation-building, while the main emphasis of its military operations remains on surveillance and border security—reflecting longstanding concerns about illegal fishing, people smuggling and securing the border with Indonesia. The PNG Government's initiation of its own National Security Policy and Defence White Paper processes has demonstrated its resolve to take its security more seriously, and also underlined our shared strategic interests (Claxton 2013).

## DCP expenditure

Table 7 shows that DCP expenditure in PNG has been generally tending downwards since a high of \$36.4 million in 2001–02 associated with Australia's support for the defence reform program. But, as noted above, there's an upward spike in DCP spending in 2013–14. Recently, the DCP has continued to provide support to the PNGDF through a program of training, exercises, technical advice and infrastructure upgrades, facilitated by ADF personnel posted to in-line and adviser positions within the PNGDF.

Table 7: DCP expenditure in Papua New Guinea, 2000–01 to 2013–14

Year	Papua New Guinea
2000–01	20,804,719
2001–02	36,426,841
2002–03	12,071,815
2003–04	18,139,488
2004–05	16,892,086
2005–06	22,581,159
2006–07	16,331,752
2007–08	10,760,951
2008–09	13,300,137
2009–10	8,547,703
2010–11	9,655,252
2011–12	11,485,000
2012–13	19,457,000
2013–14	27,096,000

Significant increases in DCP expenditure in PNG are planned. Of the \$72 million in further investment in the DCP projected in Defence budget priorities over the next five years, most will go to PNG.

The Defence organisation's engagement in PNG focuses on assisting the PNGDF to revitalise its capability in core areas, such as border and maritime security. ADF experts have also delivered in-country peacekeeping training to help the PNGDF build its peacekeeping capability (DoD 2012b, Appendix 4). With PNG embarking on ambitious modernisation plans for the PNGDF, Australia might offer the services of civilian policy advisers to assist in the policy and planning process.

Defence cooperation with PNG is covered by several joint statements and agreements and is managed through annual defence cooperation talks. There are also annual navy-to-navy talks, but no direct talks between our armies or air forces.

Table 8 summarises projected DCP activity in PNG in 2012–13. A heavy emphasis on activities involving the Land Element of the PNGDF is evident. Of the funding for Project 2 (Exercises and operations), 6.65 million kina of the total 7.61 million kina is allocated for Land Element activities and only 0.48 million kina is for maritime activities. Most of the funds for Project 5 (Capability development) are associated with providing helicopters for the Air Element.

Table 8: DCP projects in Papua New Guinea, 2012–13

Project no.	Title	Funding (A\$)	Funding (kina)
1	Strategic dialogue	177,094	402,500
2	Exercises and operations	3,349,995	7,613,868
3	Training	4,483,889	10,190,980
4	Infrastructure	2,302,006	5,232,000
5	Capability development	7,985,524	18,149,500
6	Maritime	574,182	1,305,000
7	Governance and audit	432,423	982,811
<b>Total</b>		<b>19,305,113</b>	<b>43,876,659</b>

Source: Department of Defence.

No infrastructure activities for the Maritime Element are planned as part of Project 4 (Infrastructure), and there's nothing specific for the Maritime Element in Project 5 (Capability development). It's difficult to see how these funding allocations align with any priority to build the maritime surveillance and patrolling capabilities of the PNGDF.

### PNGDF Land Element

The Land Element, with about 1,800 personnel, is by far the largest element of the PNGDF. Its main units are two light infantry battalions of the Royal Pacific Islands Regiment (1 RPIR at Taurama Barracks near Port Moresby and 2 RPIR at Moem Barracks near Wewak) and one engineer battalion based at Igam Barracks in Lae. Company-strength outstations are located at Kiunga and Vanimo.

The PNGDF maintains a training depot for recruit and specialist training at Goldie River Barracks near Port Moresby and the Military Cadet School at Igam Barracks in Lae. These establishments train personnel for all three elements of the PNGDF.

Exercise Olgeta Warrior is an annual bilateral exercise involving various units of the Australian Army and the PNGDF, usually in and around Port Moresby and Townsville. It's funded through the DCP and regarded as a useful exercise by the Army.

### PNGDF Air Element

The Air Element has about 100 personnel. It operates a fixed-wing aircraft and some helicopters in support of army operations. Over the years, it's suffered from chronic equipment shortages, low skill levels, substandard maintenance and underfunding. At one stage, Australia withdrew support for the Air Element due to air safety concerns.

In 2012, the Australian Government facilitated the lease of two helicopters from Hevilift PNG to provide an airworthy rotary-wing capability. Maritime surveillance is a serious capability gap in the Air Element.

The Air Element has been a priority for the 'wet' leasing of helicopters (wet leases include the aircraft, crew and maintenance). Re-establishing the PNGDF's rotary-wing capability will account for about two-thirds of the recent doubling of DCP funding. The acquisition of new fixed-wing aircraft remains an aspiration of the PNGDF.

Support for the PNGDF Air Element offers strategic advantages for Australia. The aviation operating environment in PNG is inherently difficult, and close cooperation between the PNGDF Air Element and the RAAF and Australian Army Aviation will help to develop the skills of Australian military aircrew and familiarise them with operating conditions in PNG.

### PNGDF Maritime Element

The PNGDF Maritime Element has about 200 personnel. It comprises four of the earlier PPBs, two heavy landing craft, a PPB base at Lombrum on Manus Island, a landing craft base in Port Moresby, and some smaller units attached to the Land Element. Australia may donate another heavy landing craft to PNG.

The Lombrum base is very remote. Resupply and travel are difficult, and the supervision of technical standards is particularly so. The base seems to have little priority for infrastructure maintenance and is rarely visited by advisers. Its remoteness seems to be a contributing factor to the Maritime Element being in some ways the 'poor child' of the PNGDF, despite the priority attached to maritime security. The element has generally been neglected by senior levels of the PNGDF, even though senior Maritime Element officers are posted in PNGDF headquarters. Low morale is a recurrent problem in the element.

Australia must take some responsibility for the problems in the Maritime Element. Only lip service appears to have been paid to the notion that maritime security is a common interest of both countries. We have given PPBs and heavy landing craft to PNG, but there hasn't always been follow-through, including the availability of

appropriately skilled personnel, to ensure their operational capability. Relatively few RAN personnel have been employed in PNG in recent years, and they've mostly been at lower ranks.

Because of reservations about the size and capabilities of the PPBs, PNG was initially reluctant to join the PPB project. To some extent, those reservations continue: there's a widespread opinion that the country needs larger and more capable vessels.

Australian advisers to the Maritime Element aren't as involved in the day-to-day operations and maintenance of the PPBs as our advisers in the other PICs. Instead, they serve in line positions in PNGDF headquarters and the National Surveillance Coordination Centre and lack some freedom to move around independently.

In the longer term, the closure of the Lombrum base should be considered. However, it's still important to have a maritime base on the north coast (Madang might be a suitable location). An alternative base on the south coast might also be a requirement, as it's understood that the PNGDF might also sell off the Lancron base in Port Moresby (the site has considerable potential for development).

The Defence Department has advised that significant capability investment is planned for the PNGDF Maritime Element, but details are not available.

Recommendations:

- The DCP should fund a master plan for the development of the PNGDF Maritime Element (including a 'get well' program for its existing vessels), training and personnel development, and longer term basing and force structure requirements.
- The planned increase of mentoring teams in PNG should include a naval mentoring team based in Port Moresby but with the ability to visit Lombrum regularly.
- More generally, the RAN must attach greater importance to supporting the PNGDF Maritime Element.

## Military-to-military talks

At present, only navy-to-navy talks between the ADF and the PNGDF take place. There would be merit in establishing the full range of service-to-service and department-to-department talks. Talks between the two countries' air forces, covering air safety and airworthiness issues in particular, would assist the Air Element. Army-to-army talks would also be useful in view of the planned mentoring program and greater interaction between the two armies.

Recommendation: Air force-to-air force and army-to-army talks between Australia and PNG should be introduced. The air force talks should assist the development of the PNG Defence Force Air Element, covering air safety and airworthiness.

## Prospects and priorities

PNG now has extravagant plans for a fivefold increase in the size of its military. However, if the PNGDF is expanded too quickly it may face further problems of sustainability in the future.

The PNG media reports that the Defence Minister, Dr Fabian Pok, has said that over the next 10 years PNGDF personnel will be increased to 10,000, and that the government has already approved in principle the purchase of new patrol vessels, aircraft and firearms.<sup>12</sup> PNG will be offered involvement in the PMSP and from an Australian perspective and for ease of training and support it's important that it participates. However, the PNGDF now has a project looking at the acquisition of inshore patrol vessels, offshore patrol vessels and a multipurpose vessel for troop-carrying and logistic support. We shouldn't 'miss the boat' by failing to involve PNG in the PMSP.

There will be complications and risks for the DCP if PNG goes ahead with buying its own vessels and aircraft. It's considering doing so partly because of delays with the PMSP and the lack of any guarantee of future Australian assistance. In view of PNG's resources and the country's economic potential, there may well be other countries prepared to offer ships and aircraft at attractive prices. All this points to the importance of accelerating our defence engagement with PNG.

# CHAPTER 5

## The Indian Ocean region

The Indian Ocean is the focus of increasing strategic and political attention. Issues of concern are traditional maritime security concerns, including the risks of interstate or intrastate conflict; threats to good order at sea, such as maritime terrorism, piracy and illegal, unreported and unregulated fishing; and non-traditional security concerns, including climate change, marine natural hazards, and energy, food, environmental and human security.

### Australia and the Indian Ocean

The 2009 Defence White Paper assessed that the Indian Ocean would have greater strategic significance in the period to 2030, including as a possible area for conflict between major regional powers (DoD 2009, para. 4.43).

Last year, the *Australia in the Asian Century* White Paper observed:

Driven by Asia's economic rise, the Indian Ocean is surpassing the Atlantic and Pacific as the world's busiest and most strategically significant trade corridor. One-third of the world's bulk cargo and around two-thirds of world oil shipments now pass through the Indian Ocean. Regional cooperation to ensure the safety and security of these vital trade routes will become more important over coming decades. (Australian Government 2012:74)

The Minister for Defence noted in a speech in August 2012 that 'The critical strategic importance of the Indian Ocean continues to be substantially under-appreciated,' and that 'Crucial trading routes, the presence of large and growing naval capabilities, as well as transnational security issues such as piracy, drive Australia to ultimately put the Indian Ocean alongside the Pacific Ocean at the heart of our maritime strategic and defence planning.'<sup>13</sup>

The *Defence White Paper 2013* makes much of a new Indo-Pacific strategic arc connecting the Indian and Pacific oceans through Southeast Asia. It notes the increasing international attention being given to the Indian Ocean, through which some of the world's busiest and most strategically significant trade routes pass (DoD 2013a, para. 2.4).

Australia has a clear interest in ensuring that strategic risks in the Indian Ocean are addressed. Either they affect Australia and our national interests directly, or any failure to address them could lead to regional instability with significant flow-on consequences for us. We have a large stake in the security and stability of the Indian Ocean region, particularly in those areas closest to Australia, and should play a role in managing those threats.

In a previous report, ASPI recommended that as a broad strategic objective Australia should increase its strategic presence in the Indian Ocean region through more proactive regional relations and a wide spectrum of increased activity in the region (Bateman and Bergin 2010:47). The focus of that presence should be the eastern Indian Ocean.

Recommendation: As a means of increasing our strategic presence in the Indian Ocean region, we should increase our defence engagement in the region.

## Regional architecture

Largely because of problems of distance and a lack of common interests, establishing associations that bring together countries of the Indian Ocean region as a whole has proven difficult. The Indian Ocean Association for Regional Cooperation, established in 1996, is the major pan-regional organisation at present, although not all regional countries participate.<sup>18</sup> Its performance has been lacklustre, but India, supported by Australia, has sought to rejuvenate it over the past two years. India became chair of the organisation in 2011, and Australia will take over as chair this year.

India's also promoting regional maritime cooperation through the Indian Ocean Naval Symposium, regional naval exercises and bilateral cooperation with regional countries, including by providing patrol vessels to the Maldives, Mauritius and the Seychelles. The symposium is a voluntary initiative that seeks to increase maritime cooperation among navies and other maritime security forces of littoral states of the Indian Ocean region by providing an open and inclusive forum for the discussion of regionally relevant maritime issues. Australia will host the next meeting of the Indian Ocean Naval Symposium next year.

India isn't really thought of in DCP terms, but we aim to grow practical India–Australia defence ties.

## Regional defence engagement

Currently, we run small DCP activities with Iraq, Pakistan, Sri Lanka and India in the Indian Ocean region. The sum of the expenditure on these programs is small compared with spending in Southeast Asia and the South Pacific.

The current importance attached to the Indian Ocean region by the Australian Government suggests some widening of defence engagement to include other, closer countries in the eastern Indian Ocean with which we share common security interests. This also includes some countries that are in need of relatively more assistance. Many of their people live and study in Australia.

The small island countries of the Indian Ocean, especially Mauritius and the Maldives, would welcome a special relationship with Australia. Their support would also be politically and strategically beneficial for us. Our experience with the PICs might be valuable for them, but so far we haven't singled them out for special attention (Bateman and Bergin 2010:50). These countries all have large EEZs, so maritime security might be a focus of that engagement.

## Pakistan

The DCP budget for Pakistan in 2010–11 was \$2.46 million—up from about \$0.44 million in 2007–08. Our dialogue with Pakistan includes Secretary and Chief of the Defence Force level talks and one-star level defence cooperation talks. A defence cooperation memorandum of understanding was signed in 2010. The strategic purpose of our defence relationship with Pakistan is to enhance Pakistan's counterinsurgency capability and its willingness to confront extremism.

In 2011–12, we offered Pakistan more than 140 Australia-based training and education courses aimed at enhancing Pakistan's counterinsurgency capability. While we offered a similar number in 2010–11, more places were taken up in 2011–12, allowing Defence to increase its cooperation program with Pakistan. Counterinsurgency exchanges between the two countries' staff colleges continued into 2011–12, and Australia seconded a Pashto/Urdu linguist from the Pakistan military to teach at the ADF's School of Languages.

Cooperation to combat transnational crime, such as terrorism financing and illegal migration, has been strengthened through the Pakistan–Australia Joint Working Group on Border Management and Transnational Crime.

The Australia–Pakistan defence relationship has grown significantly over the past five years.

The Australia–Pakistan defence relationship has grown significantly over the past five years. In addition to a position at the Quetta Command and Staff College, the ADF now sends a student to the National Defence University in Islamabad each year, conducts an annual counterinsurgency exchange between the Australian Defence College and Quetta Command and Staff College, and sends defence personnel to attend specialised courses in Pakistan (DFAT 2013i).

We've increased the number of training positions offered to the Pakistan military in Australia from 70 in 2009 to more than 140 in 2012. We're offering 15 Defence Cooperation Scholarships to Pakistan in 2014—more than to any other country.

Senior Pakistani military officers have visited Australia for talks, and some for training earlier in their careers, which has fostered the development of 'chief-to-chief' relations. Defence leaders engage regularly through a bilateral strategic dialogue and, since 2010, a 1.5 Track security dialogue, which brings together senior leaders from the Australian and Pakistani militaries, government agencies and think tanks to discuss issues of mutual strategic interest.

Pakistan will remain globally important even after our withdrawal from Afghanistan, but its military activities will be of less concern to Australia.

Recommendation: In view of Australia's pending withdrawal from Afghanistan, Pakistan's priority for defence engagement should be reviewed after 2014.

## Bangladesh

Bangladesh remains a poor and overpopulated country despite its economy having grown by 5%–6% per year since 1996. This growth is even more impressive considering the country's political instability, poor infrastructure, corruption, insufficient power supplies, and slow implementation of economic reforms. Its economic prospects will improve with prospective offshore oil and gas developments.

Bangladesh has extensive low-lying areas, making it one of the most disaster-prone countries and leaving it highly exposed to sea-level rise. A report by Geoscience Australia in 2007 assessed that the northern part of the Bay of Bengal was the most at risk from tsunamis of all areas in the region (Bateman and Bergin 2010:30).

Bangladesh is attracting increasing international attention. It has close relations with China, India and the US and is active at the UN. Its increasing international and regional role will provide opportunities for enhanced future cooperation with Australia, including in the defence field.

Australia and Bangladesh work closely together on climate change, people smuggling and counterterrorism. The two countries concluded a memorandum of understanding on counterterrorism in 2008. In the future, security issues and climate change will continue to be significant aspects of our bilateral cooperation (DFAT 2013j).

Bangladesh has a large traditional defence force. The current strength of the army is around 300,000 personnel, the air force 22,000, and the navy 19,000. All three forces, particularly the air force and navy, are being modernised. In addition to its traditional defence roles, the military's been called on to support the civil authorities in disaster relief and internal security during periods of political unrest.



Bangladesh is the world's largest contributor of military and police personnel to UN peacekeeping operations. Nearly 10,000 Bangladeshi peacekeepers are serving around the world. Over the years, many Bangladeshi peacekeepers have served with Australian counterparts (DFAT 2013j).

We currently have no formal defence engagement programs with Bangladesh, although some officers have attended staff courses in Australia and received scholarships for postgraduate education. Our strong common interests in counterterrorism, HA/DR and peacekeeping suggest that Bangladesh should now have higher priority for defence engagement. It's potentially a key strategic partner for Australia in the eastern Indian Ocean.

People-to-people relationships should be a key part of the strategic relationship. Rather surprisingly however, Bangladesh was not offered any Defence Cooperation Scholarships in 2014—presumably because there's no formal DCP with Bangladesh.

Recommendation: Defence cooperation talks should be established with Bangladesh, and a formal DCP agreement should be negotiated.

## Maldives

The Republic of the Maldives comprises an archipelago of tropical atolls and islands in the north-central Indian Ocean, spread over about 870 kilometres in a north-south direction. It has an EEZ of about 923,000 km<sup>2</sup>, through which several major shipping routes pass. Australia shares maritime security concerns with the Maldives, including concerns about marine safety and trafficking in drugs and people. We also have significant social links, as many Maldivians live and study in Australia and many Australians visit the Maldives as tourists.

Fishing and marine tourism are key industries, but both are vulnerable to external economic factors, natural disasters and rising sea levels. The Maldives is highly susceptible to the effects of climate change.

Maritime security in the Maldives is a responsibility of the Coast Guard, which is part of the National Security Service. In addition to the Coast Guard, the National Security Service comprises the Police Force, the Quick Reaction Force and various service units (engineering, catering, fire services, transport, communications, training and so on). The Coast Guard has a fleet of reasonably capable patrol boats, some of which have been supplied by India.

India is regarded as the key strategic partner of the Maldives, but the Maldivians are sensitive to becoming too dependent on India. Maritime security is a leading common interest of Australia and the Maldives and, provided we were not seen as being competitive with India, there would be mutual benefit in building the bilateral relationship.

Recommendation: A modest DCP engagement with the Republic of the Maldives should be explored.

## Sri Lanka

Sri Lanka is strategically located in the Indian Ocean region. The major shipping routes between the Middle East, including the Suez Canal, and East Asia pass just south of the island. Sri Lanka has an EEZ of about 533,000 km<sup>2</sup>, and its search and rescue area of responsibility abuts ours. Our bilateral relations with Sri Lanka are becoming more important, particularly as the exodus of political and economic refugees from there continues.

Australia currently has a modest DCP with Sri Lanka, mainly associated with exchange visits of military (primarily naval) personnel of various ranks. Expenditure in 2011-12 was \$137,000. Additional training opportunities for Sri Lankan naval personnel in Australia are planned.

Our defence relationship with Sri Lanka is focused on maritime security in support of Australia's whole-of-government efforts to counter people smuggling. Australia also works with Sri Lanka and other Indian Ocean maritime states to build regional institutions for Indian Ocean maritime security.

The bilateral defence relationship is constrained by political concerns over human rights and the disappearance of individuals in Sri Lanka.

The bilateral defence relationship is constrained by political concerns over human rights and the disappearance of individuals in Sri Lanka. The Australian Government has consistently urged Sri Lanka to investigate, in a transparent and independent manner, all allegations of crimes committed by both sides of the civil conflict that ended in 2009.

Last December, Australia announced that it will give the Sri Lankan Navy surveillance and search-and-rescue equipment to help it interdict people-smuggling boats. This year, Sri Lankan naval officers will train in Australia in maritime air surveillance, and the two countries will hold joint intelligence training programs. This assistance to strengthen the Sri Lankan Navy's on-water disruption capacity is provided by Border Protection Command and is not a Defence commitment.

Notwithstanding this organisational division of responsibility, Sri Lanka remains an important maritime security partner for Australia in the eastern Indian Ocean. In the past, it's played a leading role in attempts to build maritime cooperation in the region. We should seek to enhance the defence relationship when we're satisfied that Australia's and the international community's concerns over unresolved human rights abuse allegations have been addressed satisfactorily.

Recommendation: We should see Sri Lanka as an important partner in promoting regional maritime security in the Indian Ocean region, and we should increase our bilateral defence engagement as our political relationship improves.

## Mauritius

Mauritius comprises one large and several smaller islands with an EEZ of 1.285 million km<sup>2</sup>. It has a diversified economy based on tourism, fishing, textiles, sugar and financial services.

Mauritius is the western Indian Ocean country that's nearest to us. Historically, we've had significant trading and people-to-people links. Our very large search and rescue region in the Indian Ocean joins that of Mauritius.

Mauritius is a leading player in promoting all forms of cooperation in the Indian Ocean region. The secretariat of the Indian Ocean Association for Regional Cooperation is headquartered there.

Security functions are carried out by about 10,000 personnel under the command of the Commissioner of Police. The 8,000-member National Police Force is responsible for domestic law enforcement. The 1,500-member Special Mobile Force and the 500-member National Coast Guard are the only two paramilitary units in Mauritius. For maritime surveillance and enforcement, Mauritius has a fleet of patrol boats and fixed-wing aircraft.

## Middle East

There's been increased attendance by Middle Eastern military officers in Defence courses in Australia in areas such as civil-military cooperation, aviation safety and operations law.

As the piracy threat off Somalia abates, and after the ADF no longer has to provide security for the Australian Embassy in Baghdad and withdraws from Afghanistan, there'll be grounds for reviewing the priority attached to defence cooperation engagement in the Middle East.

## Prospects and priorities

Australia, India and Indonesia are the potential leaders among the Indian Ocean littoral countries in promoting regional stability and cooperation. Good relations between the three countries are fundamental to the future of the region.

For more practical cooperation and dialogue, Australia might focus on the geographically closer eastern Indian Ocean sub-region. The countries in and around the eastern Indian Ocean are India, Sri Lanka, Bangladesh, Myanmar, Thailand, Malaysia, Singapore, Indonesia, Timor-Leste and Australia. Common security interests include countering piracy and armed robbery at sea, the prevention and mitigation of natural disasters, the prevention of trafficking in drugs, arms and people, and the security and safety of offshore oil and gas installations.

Recommendation: Australia should join India and Indonesia to promote a framework of maritime security cooperation in the eastern Indian Ocean.

# CHAPTER 6

## Conclusions and recommendations

This chapter sets out conclusions about the management of the DCP and other regional defence engagement activities and offers recommendations for their future development.

### Prioritising defence engagement

The strategic environment in our region is changing in ways that have a profound impact on what the Defence organisation does and should do in the region. We can no longer just keep on doing what we've done in the past. However, at a time when we should be increasing our focus on regional defence engagement, the risks are that a tighter Defence budget may cause us to cut back our engagement activities. It's important, therefore, that we have clear priorities for regional defence engagement.

Defence engagement embraces many activities, including exercises and joint operations, service-to-service talks, bilateral and multilateral activities, personnel exchanges, and education and training programs in Australia for foreign students. The DCP is a major subset of our regional defence engagement, but over the years the program has come to be seen as an end in itself with a momentum all of its own. Priorities for DCP activities may differ somewhat from those for defence engagement more generally.

While the priorities for engagement will usually be based on geostrategic considerations, priority for DCP activities might take into account issues of need and levels of development. The DCP is directed towards helping those who are less able, so we might have DCP projects with countries that aren't part of the nearer region. For example, we have DCP activities with countries such as Laos and Pakistan, while such activities with Singapore ceased years ago, although Singapore remains a priority for defence engagement.

The Defence International Engagement Plan coordinates priorities across the Defence organisation, embracing both the DCP and the other activities that are part of regional defence engagement. The plan is classified, and it's not clear how well all the relevant activities are coordinated and priorities are identified. This classification doesn't satisfy requirements for public accountability, particularly as the plan deals with such an important and growing part of our overall defence effort.

Recommendations:

- An unclassified version of the Defence International Engagement Plan should be published.
- An annual ministerial statement on regional defence engagement should be produced, explaining the priorities for engagement to parliament.
- The Defence Department's annual report should have a specific section on regional engagement.

## Key strategic priorities

The key questions that need to be addressed are:

- What are the priorities for regional defence engagement in terms of promoting Australia's strategic interests?
- What engagement activities provide the most benefit?
- How does engagement contribute to broader foreign policy goals, including forging a stable regional security environment and promoting Australia's middle-power influence?
- Which countries should have priority for the DCP?
- How can our international defence engagement best contribute to a stable regional security environment and help strengthen regional security architecture?

In the past, we've conceived regional engagement as mainly comprising military-to-military activities and making a contribution to building efficient regional defence forces. But we need to think more widely now about building both good order and confidence and security in the region. With maturing relationships in the region, this means that our regional engagement is more one of partnerships than only about aid and assistance.

In current budgetary circumstances, we should have a clear geographical focus in our engagement activities.

In current budgetary circumstances, we should have a clear geographical focus in our engagement activities. This means our first priority should be engagement with our nearest neighbours, specifically those in the archipelagic arc stretching from Indonesia through Timor-Leste and PNG to Solomon Islands and Vanuatu.

Our next priority should be the countries just beyond that arc, including the countries with which we have established treaty relationships or commitments, those that still have a clear need for development assistance, and those that are of strategic importance to Australia. Those countries include the PICs, our FPDA partners, the Philippines and the nearer Indian Ocean coastal and island states.

These priorities accord with, but give rather more focus to, the key strategic interests in the *Defence White Paper 2013*, which identifies the security, stability and cohesion of our immediate neighbourhood, which we share with PNG, Timor-Leste and South Pacific states, as our second key interest after a secure Australia (DoD 2013a, para. 3.13). The white paper's third key strategic interest is the stability of the Indo-Pacific, particularly Southeast Asia, and the maritime environment (DoD 2013a, para. 3.15).

Based on regional needs and our strategic interests, possible key themes for our regional engagement are:

- Maritime security
- Counterterrorism
- Peacekeeping
- Humanitarian assistance and disaster relief
- Capability development, procurement, research and development, and science and technology.

## Competition for defence engagement

With the changing power relativities in the region, greater competition for regional engagement is evident—China, the US, India, Japan, France and other EU countries are active in Southeast Asia. It's particularly evident in the

countries that remain less aligned—Myanmar and Cambodia. Within Southeast Asia more generally, defence engagement often has an industrial dimension as the arms-producing countries compete for the defence dollar.

Competition is also evident in the PICs, particularly between China, Japan and the US.

Australia enjoys some comparative advantages in this competitive environment. First, we've been in the game for a long time and have established a reputation as being a reasonably reliable partner, perhaps with fewer ulterior motives and clearer strategic interests than other countries. Overall, Australia's views of overall security are accepted as fitting with those of the region generally. That's not necessarily the case with the other extra-regional players in the region.

On the whole, our Western alignment is a positive factor: the ADF is viewed as having access to advanced Western military technology, doctrine and tactics. Our capability for joint and combined operations is respected in Southeast Asia. We're a sought-after partner for joint exercises and training, without the negative factors associated with other players from outside of the region.

## Fitting with the US

Current strategic guidance stresses the importance of our alliance with the US (see box). The *Defence White Paper 2013* notes that the US rebalance towards Asia provides Australia with new opportunities for cooperation with the US and regional countries to build regional cooperation and capacity (DoD 2013a, para. 6.11). The extent to which we fit our engagement activities with those of the US is thus an important issue for consideration.

### The Australia–US alliance

#### Key judgements

- The US will have a greater focus on Asia.
- The US remains the world's most powerful strategic actor.
- The presence of the US in the region is vital to maintaining confidence in the evolving strategic environment.

#### Response

- Cooperating on strategic issues of common interest, including regional security priorities.
- Deepening our defence, intelligence and security engagement with the US.

—*Strong and secure: a strategy for Australia's national security*, p. 35

Southeast Asia is rising higher in America's strategic priorities than at any time since the end of the Vietnam War. Washington's pivot will continue to drive greater US engagement in the region, and we'll see an increase in US naval and air forces there. The US is now much more active with ship visits and promoting military exercises, including with Malaysia and Singapore as our regional partners under the FPDA, than Australia could ever hope to be.

Annual US exercises in Southeast Asia include the Southeast Asian Cooperation and Training (SEACAT) exercise, a major maritime exercise involving most regional countries; Cobra Gold, an annual Thai–US co-sponsored joint and multinational exercise (participants in Cobra Gold 2013 were Thailand, the US, Singapore, Japan, Indonesia, the Republic of Korea and Malaysia); and the Cooperation Afloat, Readiness, and Training (CARAT) series of bilateral exercises between the US and most regional countries, as well as Bangladesh. Australia doesn't actively participate in any of these exercises but may send observers. More regional countries now participate in the large US RIMPAC series of exercises.

While the President of Indonesia supported the US rebalance last year at the Shangri-La Dialogue, concerns have been expressed in the region that Washington has placed too much emphasis on the military dimension of rebalancing (Anwar 2013).

The US can be quite protective of its regional relationships, both bilaterally and multilaterally. It applies resources to regional activities that can overwhelm some regional countries. US military aid projects also sometimes come without long-term support, and so in the longer term become a burden rather than an asset to the recipient country.

Australia's alliance with the US is seen by most of Southeast Asia as a plus (it contributes to keeping the US engaged in the region), but we'll want to be perceived as a player in our own right. For example, we might not want to be involved in the US and Philippines amphibious exercises in the South China Sea, which could be provocative to China.

But the real challenge for Australia is that the US could squeeze us out of regional engagement by being a bigger and better partner than us. We'll have to work harder to retain our influence.

### The maritime dimension

In the past, it's been the region's armies that have dominated the strategic landscape, but maritime forces (both naval and air) are now receiving greater attention and having more influence. They're receiving a greater share of regional defence budgets, and naval (and air force) officers are occasionally being appointed as chiefs of the defence forces even in countries where the army remains by far the dominant force. Nevertheless, our regional influence depends in a large part on engagement with regional land forces.

Australia is fringed by archipelagos to our north and northeast, and we're paying closer consideration to security issues in the Indian Ocean, most of which are maritime in nature. We've a clear strategic interest in knowing what's going on in the archipelago to our north and in the nearer expanses of the Pacific and Indian oceans. Engagement with our nearer regional neighbours will help us achieve that maritime situational awareness.

Not only is maritime security a key concern for Australia, but it also reflects the interests of regional countries. It's replaced internal security as the defence priority for most of them.

Maritime security is a priority across the region, but it's riddled with highly complex 'wicked problems' that have so far defied solution.

Maritime security is a priority across the region, but it's riddled with highly complex 'wicked problems' that have so far defied solution (Bateman 2011). They include different interpretations of the law of the sea underpinning regional maritime security, the lack of good order at sea, numerous conflicting claims to maritime jurisdiction, the implications of increased naval activity in the region, and the lack of maritime boundaries. While maritime information-sharing is an important requirement, there remains a reluctance to share information of real value, mainly because of issues of security classification and the sourcing of data. Australia has a clear interest in helping to address these problems.

We've lacked a maritime focus in our regional defence engagement. This is evident, for example, in the way RAN ship visits in the region have fallen off markedly in recent years and an apparent lower priority for maritime projects under the DCP. Which DCP projects are given priority can too often reflect the colour of the uniform worn by the defence attaché.

The lack of maritime focus is most apparent in PNG and Timor-Leste where, despite statements that maritime security is a priority for engagement, our actual defence engagement has had a clear terrestrial bias. The naval elements of the defence forces of those countries have suffered as a result, and both are currently dysfunctional. This may be attributed at least in part to the heavy preponderance of Australian Army personnel serving in attaché and adviser positions in Port Moresby and Dili, coupled with the inability or unwillingness of the RAN to provide suitable personnel. As we focus our engagement on the maritime environment of our nearer region, this situation has to change.

Recommendations:

- Our defence engagement in the priority regions should focus on the maritime dimension.
- The Navy should increase the number of its personnel posted in adviser and training positions in the region.
- As tangible evidence of our focus, the number of ship visits in the region should be increased.

## Regional defence engagement

### Coordination with foreign policy objectives

Regional defence engagement should be designed to support foreign policy objectives: the *Australia in the Asian Century* White Paper and the 2013 National Security Strategy point to the importance of coordination between Defence and DFAT to ensure an overall policy framework.

Recommendation: The Defence Department's First Assistant Secretary International Policy and DFAT's First Assistant Secretary International Security should meet quarterly to discuss regional defence engagement plans and priorities.

### Exercises and operations

Exercises are an important means of influencing regional defence forces in the development of military strategy and doctrine. This is particularly the case with joint exercises, as the ADF's ability to operate jointly is much respected in the region. Exercise Pitch Black 2012 (see box) is an example of a highly successful and valuable joint and combined exercise. At another level, so is the Australian Army Skills and Arms Meeting. This is a skill-at-arms competition at the individual and unit levels that encompasses current in-service small arms systems. It includes an international competition in which up to 18 international teams compete.

The three Australian services conduct exercises in the region in accordance with the classified Defence International Engagement Plan and their own engagement plans. Exercises are either single environment (land, air or maritime) or joint (two or three environments) or combined with bilateral or multilateral activities involving friends and allies. The Army and Navy have a preference for moving to effective multilateral exercises. The Air Force prefers to start with bilateral exercises and move to multilateral exercises in a more measured way. Air safety is an important consideration in air exercises. Levels of trust in airworthiness and air safety tend to fall with multilateral air exercises. Exercises involving advanced fighter and air defence capabilities are only conducted with another air force after a step-by-step process moving up through exercising planning, non-flying interactions and less advanced flying operations to the more advanced level.

Because the ADF operates many advanced weapons and sensors of US origin, the US International Traffic in Arms Regulations are an important consideration in planning military exercises.<sup>14</sup> They have the practical effect of restricting the ability of the ADF to operate its full range of equipment in a regional exercise.

There are limits to regional countries' capacity to participate in exercises. Increased US activity is already putting pressure on regional defence forces, but they remain interested because the US often pays for their participation. On the other hand, Australia prefers a co-funding model in which regional militaries pay their own way.



Our northern exercise areas are attractive to overseas militaries and are a major asset for our regional defence engagement. Shoalwater Bay is most attractive but is fully utilised.<sup>15</sup> Bradshaw Field Training Area has some drawbacks—remoteness, transport and a lack of logistics.<sup>16</sup> There's a case for the facilities at Bradshaw to be improved.

Exercises in foreign countries have higher costs for the ADF, and land exercises can have political sensitivities, as was evident with the delayed implementation of the visiting forces agreement by the Philippines. The costs of land exercises overseas will be reduced when our large amphibious ships enter service.

Exercises in and around Australia are less costly for the ADF, but have higher costs for foreign countries. Australia may need to pay those costs for the less well-endowed foreign militaries. This might become a significant part of spending on regional engagement, but the costs involved must be transparent.

All exercise opportunities have value both in promoting interoperability and in improving personal relationships. As the level of technology increases in regional defence forces, opportunities open up for higher-end exercises, beyond HA/DR and search and rescue.

Regional exercises are a major element of our regional defence engagement. As the Defence International Engagement Plan is classified, it's not possible to comment on current exercise priorities. Separate costings for these exercises aren't available.

#### Exercise Pitch Black 2012

- Australia's largest and most advanced air combat exercise
- Operations from RAAF Bases Tindal and Darwin
- Used Delamere Range Facility and Bradshaw Field Training Area
- 94 aircraft and 2,200 personnel
- RAAF—fighter, AEW&C, tanker, transport and long-range maritime patrol aircraft
- Republic of Singapore Air Force—fighter, AEW&C and tanker aircraft
- Indonesian Air Force (TNI-AU)—fighter aircraft
- Royal Thai Air Force (fighter aircraft)
- US Marine Corps—fighter, transport and tanker aircraft

Recommendations:

- The infrastructure at the Bradshaw Field Training Area should be improved to make it more useful for by foreign military forces.
- Information on the costs of exercises conducted with regional defence forces should be on the public record.

## Interagency issues

### A whole-of-government approach

Our defence engagement activities should fit within a whole-of-government approach that takes into account the totality of Australia's regional activities at the national level. However, there are two important areas where there's some overlap between what the Defence organisation does and what's being done by other agencies. The first area is regional maritime security, broadly defined, where several agencies are directly involved in regional engagement. The second is our international aid programs, where some of what's done under the DCP could readily qualify as official development assistance under the guidelines of the OECD.

## Maritime engagement

Maritime security has become more civilianised over the past decade or so. Many non-military agencies are now involved in providing some dimension of maritime security, including cooperation with neighbouring countries. Civil law enforcement has become an important element of maritime security. This trend is reflected in the way civil maritime security forces, such as the Japan Coast Guard and the Malaysian Maritime Enforcement Agency, have expanded and become more active in recent years. These agencies cooperate through meetings of the Heads of Asian Coast Guard Agencies.

Coast guard and marine police undertake policing at sea akin to civil policing onshore. Onshore, most countries make a sharp distinction between the roles and responsibilities of the military and the civil police. A similar split is emerging at sea. This is a change from the traditional approach in which navies undertook policing at sea on an occasional basis with little specialised training in maritime law enforcement. However, with tighter regulation of activities at sea and more international maritime conventions, maritime law enforcement has become more complex.

Australia also appears to be moving towards a civil model for maritime enforcement. The civil agencies involved with maritime security, again broadly defined, include the ACBPS, the Australian Federal Police, the Office of Transport Security, the Australian Fisheries Management Authority and the Australian Maritime Safety Authority. They carry out their regional maritime security responsibilities primarily at the tactical and operational levels, while strategic and foreign policy oversight remains with Defence and DFAT.

Australia's Border Protection Command model is attractive to other countries that suffer problems caused by having too many agencies and too little interagency coordination.

It's important that our maritime security engagement be properly coordinated and that there are no gaps or overlaps in what we do in the region. All our agencies need to be aware of what others are doing, and there should be a clear whole-of-government approach to identifying priorities.

Maritime security is now the 'big game' in the region.

Maritime security is now the 'big game' in the region. There's much more security activity at sea and there are more regional forums dealing with some aspect of maritime security. There are more challenges and opportunities for Australia, but we don't appear well organised to deal with or take advantage of them.

Our regional maritime security engagement needs tighter coordination, more systematic identification of priorities and clearer policy direction. The Defence organisation has a clear interest in ensuring that this direction is provided. Oversight of regional maritime security should be a responsibility of a new Regional Engagement branch, if one's established, in the Defence Department's International Policy Division. At present, the geographical division of responsibilities in the division militates against a coordinated overview.

Recommendations:

- The civil coast guard model of providing good order at sea in the region should be factored into our planning for maritime regional engagement.
- Clear divisions of responsibility for maritime security engagement in the region should be established between the agencies involved.
- Maritime security should be the responsibility of a new Regional Engagement branch in the Defence Department's International Policy Division.

## Development assistance

An overlap is apparent between some activities under the DCP and the work of AusAID. It's evident in areas such as counterterrorism and HA/DR, in which both AusAID and the DCP can fund related projects in regional countries. It's also evident in some aspects of maritime assistance to regional countries, particularly the PICs and Timor-Leste.

Defence and AusAID signed a strategic partnership agreement in 2009 that commits them to working together to promote Australia's strategic interests and to improving security and development prospects in countries of mutual interest, including through responding effectively to situations of humanitarian need, promoting good governance, and long-term, sustainable capacity building, and through enhancing cooperation in the delivery of multisectoral assistance.

But annual reports from AusAID rarely acknowledge assistance to regional countries under the DCP, although much of that assistance, particularly to South Pacific countries, has a development focus and would qualify as official development assistance under OECD guidelines.

In May 2012, the Australian Government released a comprehensive international aid policy framework that will guide the growth of our aid budget over the next four years (AusAID 2012). It identified five core strategic goals: saving lives, promoting opportunities for all, sustainable economic development, effective governance, and humanitarian and disaster relief. Our development assistance is about helping national development where we can make a difference and where our resources can be deployed most effectively.

In determining the criteria for official development assistance, the OECD (2008:2) says the final criterion is a 'matter of intention'. The development intention underpinning forms of assistance is the crucial benchmark to determine what's classified as official development assistance.

Much of what's sought with the PMSP would qualify as official development assistance.

Much of what's sought with the PMSP would qualify as official development assistance (Bateman and Bergin 2012). The prime intention of placing patrol boats in the Pacific islands is to provide good law and order at sea. Securing that objective entails such missions as resource protection, environmental monitoring, search and rescue, and disaster response. The main purpose of the patrol boats is to 'perform development services' in line with official development assistance eligibility, not to supply equipment for defence purposes (OECD 2008:2).

The patrol boats perform essential civil maritime policing, which meets four out of AusAID's five strategic goals for effective aid (AusAID 2012):

- *saving lives*: the patrol boats provide search and rescue support
- *sustainable economic development*: the boats assist in environmental monitoring (which affects food security), facilitate people's travel between islands, and protect resources through maritime enforcement
- *effective governance*: the boats safeguard maritime governance (assistance in building capacity for basic civil policing ashore qualifies as official development assistance, and so should assistance in civil policing at sea)
- *humanitarian aid and disaster response*: the boats enhance disaster preparedness as well as the delivery of effective responses to humanitarian crises.

## Defence Cooperation Program

### Management of the DCP

The Auditor-General in his 2001 report on the DCP made several critical recommendations relating to the management of the program. He recommended that Defence:

should determine the total costs of the [DCP] to bring to the notice of Defence's senior management the cost of administering [defence cooperation] in relation to the total amount spent on the [DCP] and to inform decisions about the cost-effectiveness of [defence cooperation] outputs. (ANAO 2001, para. 2.42)

As noted in Chapter 1 of this report, there's currently a lack of publicly available data on Australia's regional defence engagement. More data is needed on program costs and benefits to assist in adequately assessing program cost-effectiveness. While the 2001 audit report referred only to the DCP, it's also important to have a better idea of the full costs of regional defence engagement, including the costs of exercises and other activities conducted by the ADF with regional defence forces.

The Australian National Audit Office also recommended that Defence develop a longer term plan for defence cooperation activities as one of the links between strategic guidance and DCP management and forward financial planning (ANAO 2001). It would help public accountability if such a long-term plan were available in the annual reporting of regional engagement, as recommended above.

Recommendation: The annual ministerial statement and the section on regional engagement in the Defence Department's annual report should include full costings of regional engagement activities and an overview of the long-term plan for regional engagement.

The establishment of a new regional engagement coordinator position should be added to responsibilities of an existing branch in the Defence Department's International Policy Division to help bring focus and greater coordination to our regional defence engagement activities. The extra tasks of the branch head would include:

- producing the Defence International Engagement Plan and the annual ministerial statement
- managing multilateral activities (HA/DR, counterterrorism and counter-IED) that are currently centralised in the International Policy Division
- liaising with other agencies whose engagement activities overlap those of Defence
- monitoring developments in regional maritime security and assessing the implications for Australia
- collecting and presenting data on regional defence engagement expenditure
- providing policy direction and advice for ADF exercises and operations
- supporting the Australian Defence Regional Engagement Centre.

Recommendation: The establishment of a regional engagement coordinator should be added to the responsibilities of an existing branch in the International Policy Division, and the merits of establishing a new Regional Engagement branch should be examined after 2014.

### DCP projects

The Australian National Audit Office's 2001 audit report noted that the management of individual defence cooperation activities should have more regard to better practice in approving, monitoring and assessing projects (ANAO 2001). It's not clear that this practice is being followed at present.

In determining which projects should be implemented under the DCP, heavy reliance is placed on the expertise of the overseas posts and desk officers in the International Policy Division. The projects are scrutinised from the point of view of resource management, but rather less so from analysis of the requirements. DCP projects should be subject to the same level of professional analysis as a project put forward by one of the services.

There's a tendency to give recipient countries what they want, rather than to analyse their proposal to ensure that it's providing the most cost-effective solution and is in Australia's best interests.

There's a tendency to give recipient countries what they want, rather than to analyse their proposal to ensure that it's providing the most cost-effective solution and is in Australia's best interests. The latter consideration should include any longer term commitment that the implementation of the project might imply. The situation is also not helped if there's too rapid a turnover of staff in the International Policy Division, which may be the case at present.<sup>17</sup> The current system appears to introduce some bias towards short-term, year-by-year projects rather than longer term projects that will require an annual commitment of DCP resources.

The naval base at Port Hera in Timor-Leste provides an example of the commitment of DCP resources where there seems to have been too much emphasis on providing what the recipient wants, without considering the longer term consequences. The development of this base has been riddled with problems (see box). The base is barely operational and its current location doesn't appear to be a sound one for the country's major naval facility. By funding the master plan for the base and committing resources to developing some infrastructure at the base (mainly classrooms, a gymnasium and a dedicated seamanship facility), Australia risks being associated with the problems of Port Hera.

#### Port Hera—a dysfunctional naval base

In 2009, Vox Da Vinci Consulting Engineering prepared a master plan for the naval base at Port Hera in Timor-Leste.

A subsequent master plan in mid-2011 by Aurecon Australia Pty Ltd, funded through the DCP and with the F-FDTL Naval component as the client, did not support the 2009 plan, but hasn't been endorsed by the Timor-Leste Government.

The Aurecon plan envisaged a force structure in 2030 of seven patrol boats, three offshore patrol boats, two medium landing craft, two minesweepers and two frigates/corvettes.

The implementation of the master plan has been plagued with contractual difficulties between the Timor-Leste Government and the prime contractor, Lifese Pty Ltd, an Australian-based engineering firm, resulting in the payment of interest charges for late payments to Lifese.

The absence of effective contract management by the Timor-Leste Government was a contributing factor in the payment of penalty charges.

The F-FDTL Naval component's preferred option in the master plan for developing the base involves the diversion of an adjacent watercourse. This will be costly and increases the risks of flooding at the base.

The base continues to silt up, and a floating walkway built as part of the master plan has already collapsed.

If Timor-Leste decides to persist with the development of Port Hera, considerable investment will be required to repair wharves, dredge the harbour, build workshops and accommodation blocks, and upgrade water and

electricity services and security at the base. DCP funding hasn't been provided for these major works so far, and shouldn't be until we're confident that the master plan for Port Hera has been endorsed by the Timor-Leste Government and alternatives to Port Hera have been fully explored.

## Personnel issues

One of the best ways that regional engagement can achieve its objectives is through activities that enhance personal relationships between members of the Australian Defence organisation and those of regional defence organisations. There are two ways this can be achieved. The first is through what we do overseas and the second is through providing opportunities for overseas defence personnel to undergo training and education in Australia.

### Defence attachés and advisers

ADF officers serving as defence attachés and advisers in Australia's missions overseas, along with civilian Defence staff, are at the sharp end of Australia's regional defence engagement. Generally, Australia's well served by dedicated, highly motivated attachés and advisers, but concerns have been raised about the ability and motivation of some attachés. For some, it's a posting towards the end of their careers rather than a career-enhancing experience that will help their promotion prospects.

Then there's the issue of pre-job training for an officer selected for an overseas posting as a defence attaché. Most attend the Defence Attaché Seminar, which is a three-week course conducted at various venues in Canberra.

The focus on maritime security must be understood by all defence attachés serving in countries that are part of the archipelagic arc. A bias towards supporting regional armies and land forces should be avoided. With the scaling down of operations in Afghanistan and Timor-Leste, there's a risk of that occurring as more Army personnel become available for overseas postings.

Language training and instilling cultural awareness are obviously important, along with a good understanding of the regional strategic environment. It's also important that an officer be imbued with a truly joint attitude that allows them to reflect the capabilities and interests of all three services, as well as an understanding of the whole-of-government approach that will facilitate interagency liaison at the post. Briefings of defence attachés by DFAT on the work processes of Australian missions overseas are important.

Recommendations:

- All three services should examine their officer posting policies to improve the status of defence attaché postings for serving officers.
- The pre-posting training program for personnel posted overseas should be reviewed.
- Lectures on being a defence attaché might be included in the curriculum at the Australian Command and Staff College, and preferably be given by an experienced former defence attaché.
- Key defence posts overseas should be subject to a competitive process, rather than allocated by rotation.

## Professional development

### Defence diplomacy

The *Defence White Paper 2013* speaks of new opportunities for Australian activities with regional countries to build regional cooperation and capacity. This report puts forward some recommendations to take advantage of those opportunities, including making more use of the Bradshaw Field Training Centre and providing new opportunities for regional defence forces to exercise in Australia.

To bring increased focus to regional defence engagement at the operational and tactical levels and to coordinate activities, an Australian Defence Regional Engagement Centre should be established in Darwin or at RAAF Tindal

under the Chief of Joint Operations and Plans. Putting the centre there would exploit Darwin's proximity to the region and to the main exercise areas in northern Australia, as well as building on the success of exercises, such as Pitch Black and Kakadu, conducted out of Darwin.

The roles of the Australian Defence Regional Engagement Centre would be to:

- promote regional interoperability, capabilities, operational experience and habits of working together in a multinational environment
- share doctrinal development for joint and combined operations to help build the capacity of regional defence forces for such operations
- provide a professional centre of excellence to bring leaders of regional defence forces together for regular symposiums to exchange views, doctrinal best practice and information
- have oversight of Australia's military exercise program with regional countries
- provide networking opportunities for regional military and civilian defence personnel.

The centre would become the key place to go for professional military interaction in the region. If the US and Australian governments wish, it could also be used to help integrate rotating US Marine deployments into the regional security architecture.

The staff of the centre would include ADF officers and liaison officers from the regional defence forces in Southeast Asia and the South Pacific. Models for the centre include Singapore's Information Fusion Centre with its regional liaison officers and the Jakarta Centre for Law Enforcement Cooperation.

The centre would build on and continue the invaluable contribution made to interoperability experience gained from the now-concluded military element of RAMSI. Ultimately it might develop the doctrinal basis for a Pacific-focused rapid reaction force. This would be consistent with a longstanding desire of several important Pacific countries to form a standing regional emergency response force.

### Defence Cooperation Scholarships

Table 3 (see Appendix) shows the universities and postgraduate programs used by foreign students with Defence Cooperation Scholarships in Australia in 2012 and 2013. The 70 officers with the scholarships took a wide variety of courses. The most popular courses were the Master of Maritime Policy (10 students) and Master of Science (Logistics) (7 students) at the University of Wollongong and the Master of Policing, Intelligence and Counter-Terrorism at Macquarie University (7 students).

Seventy-five Defence Cooperation Scholarships are to be offered in 2014, with the most going to Pakistan (15), Thailand (13) and Vietnam (12), but only four to Indonesia. The low number for Indonesia is explained by the concern that the return from the scholarships was low because they were being taken up by officers with English language skills rather than by 'high-flying' officers. The same concern might well apply in Vietnam and Thailand, although there's no evidence that it's been considered.

It's understood that there's no DCP-approved list of courses that are recommended for Defence scholarships. It seems largely a matter of the individual officer selecting a course and putting their application through their own service and the Australian defence attaché's application process. Proven English language skills are an essential prerequisite.

Despite being the 'Defence university', the University of NSW at the Australian Defence Force Academy has had no Defence scholarship graduate students in recent years from among regional military officers. This is because its defence studies programs are now offered only online. This is an unattractive medium for overseas students: it denies them the interpersonal contacts that are the key benefit from studying in Australia.

The Defence Cooperation Scholarship program offers financial support to help students successfully complete their academic studies, including study and living costs. It's an expensive program, and it's not clear that we're getting full value from it. Although Defence has recently called for tenders to engage a professional service provider to coordinate the program, along with providing administration for other foreign officers taking staff courses or doing undergraduate training in Australia, the program should be reviewed.<sup>18</sup>

### Think tanks

There's a clear value in supporting strategic dialogue at the Track 2 level with increased liaison between regional strategic and defence think-tanks. The DCP could also support the attendance of regional officers as visiting fellows at the Sea Power Centre, Land Warfare Studies Centre and Air Power Centre.

### Australian Civil-Military Centre

One of the Australian Civil-Military Centre's roles is to work with regional and international counterparts to build Australian civil-military capability and to promote Australian capacity to prevent, prepare for and respond more effectively to disasters and conflicts overseas.

The centre's focus is on improving Australian capacity to cooperate in an international, multiagency environment rather than seeking to influence how other countries manage their own civil-military-police relationships.

But building understanding of how we do it is important to both Australia and the region. The Australian Civil-Military Centre's network of engagements through international and regional organisations, collaborative research, joint policy coordination and workshops will be important.

### Nurturing the young

Along with attention to the longer term benefits of interpersonal relations, more attention could be paid to identifying and helping the region's future military leaders. As a means of identifying young leaders, we could select the top graduates of military staff colleges in the region each year for a guided tour of Australia and major defence facilities. The Colin East Awards are already in place for this purpose with Indonesia, but the idea could be extended to other regional countries. This would be broadly similar to DFAT's special visitors' program.

Recommendation: A Defence special visitors' program should be established to bring upwardly mobile staff college graduates and others to Australia for short-term organised visits.

### Alumni associations

Australian defence alumni associations have now been established in Indonesia and Malaysia to help strengthen defence relationships. They provide a framework for enhancing the professional and personal relationships that have developed between members, and former members, of the respective defence organisations. Membership is open to military and defence civilians who have trained in, been posted to, or participated in, an exchange in Australia. Membership is also open to personnel from the Australian Defence organisation with similar experience in the other country. As an indication of the size of the applicant pool, the Australian Command and Staff Course for majors (and equivalents), for example, would normally host around 175 members, with about 45 overseas personnel each year.

The Defence Alumni Network set up by the Australian Defence College already provides an effective forum for Australian Defence College graduates to stay connected, share knowledge and promote the achievement of excellence in professional military education. The Defence Alumni Network portal is now being extended to include graduates of courses for foreign students conducted elsewhere, including at the Australian Defence Force Academy and other Australian Defence College learning centres, such as the School of Languages and the Defence International Training Centre.



Recommendation: In addition to the existing arrangements in Indonesia and Malaysia, Australian defence alumni associations should be organised in countries where there are significant numbers of Australian alumni, such as Thailand, the Philippines and Vietnam.

### Language training

The Australian Defence Force Academy offers only one Asian language for undergraduates: Bahasa Indonesia. There are currently around 50 students taking Indonesian as a major.

The *Australia in the Asian Century* White Paper recommended that all Australian students have the opportunity to take a continuous course of study in an Asian language throughout their years of schooling and that all students have access to at least one priority Asian language. The priority languages are Chinese (Mandarin), Hindi, Indonesian and Japanese (Australian Government 2012:16).

## Scope for new activities

### Improvised explosive device training and research

IEDs have become a popular weapon of insurgents and terrorists across the region. They are fabricated or emplaced in an unconventional manner and are designed to kill, destroy, incapacitate, harass, deny mobility or distract.

DSTO has conducted expensive field research on IEDs in Afghanistan. There's merit in making the outcomes of that research available to regional countries. There's an existing counter-IED program in Thailand that could be extended to the Philippines and elsewhere.

Recommendation: An IED training program should be established in the Philippines.

### HA/DR and natural disaster risk reduction

Asia is the world's most disaster-prone region. Over the next 20 years, a range of environmental and demographic trends will make natural disasters more damaging to a greater number of vulnerable populations in the Asia-Pacific region. The effects of rising sea levels due to climate change will intensify in the coming years. In South and Southeast Asia, growing populations in low-lying coastal areas will remain vulnerable to future disasters (Yates and Bergin 2011).

The ADF should make cooperation on HA/DR a core element of our regional engagement. It should become a significant driver of regional defence cooperation.

The ADF has a solid track record of responding to regional disasters, such as the 2004 Southeast Asian earthquake and tsunami and the 2011 Tohoku earthquake and tsunami. As disaster trends intensify, so too will demands for coordinated, multilateral HA/DR operations. The ADF already participates in the Pacific Partnership, which is an annual deployment of US forces bringing humanitarian, medical, dental and engineering assistance to Pacific countries. The FPDA, in which we're a key player, has in recent years adapted its exercise series in response to HA/DR demands.

The entry into service of the landing helicopter docks will provide a key vehicle for regional engagement, both for combined amphibious exercises and for HA/DR.

Such efforts will enhance Australia's soft power in our region by building regional defence ties. They'll also strengthen the ADF's role in helping regional countries to mitigate and respond to disasters. ADF efforts should integrate military capabilities with those of other government bodies, such as AusAID and DFAT, as well as key non-government organisations.

Recommendation: Australia should increase its soft power in the region by building stronger regional defence ties in the area of HA/DR.

## Counterterrorism

The ADF has capabilities that may be used to contribute to regional counterterrorism efforts, particularly in Southeast Asia (Indonesia, Thailand and the Philippines). The risk of terrorist attacks in Southeast Asia with a potential to affect Australian interests will remain of concern for the foreseeable future. The ADF should continue to work to enhance regional counterterrorism arrangements and capabilities.

## Defence Science and Technology Organisation

The Defence Science and Technology Organisation's own interests lie more in collaboration with high-tech regional countries, such as Japan and Singapore, than in providing assistance or cooperation to less well advanced countries. However, the organisation has capabilities that would be useful in the region. They include expertise in procurement processes, sustainment (keeping old equipment operating), intelligence surveillance and reconnaissance systems, and operations analysis.

In view of security concerns about access to Australian facilities and courses, assistance by the organisation is best offered offshore through workshops, seminars and mobile training teams.

Recommendation: As a first step towards promoting scientific and technological engagement between regional defence agencies, the Defence Science and Technology Organisation should hold an annual science and technology review conference with Southeast Asian countries.

## Defence Materiel Organisation

The Defence Materiel Organisation already has some engagement in Southeast Asia. However, what it does in the region is in response to foreign and defence policy objectives rather than for its own benefit. With the exception of Singapore, which has a highly advanced defence industry, the benefits for the organisation usually flow from interactions in Europe and the US.

The Defence Materiel Organisation supports the Australian defence industry in gaining access to the region. It's conducted a Capability Development Group workshop in Thailand and may do similar work in Malaysia and the Philippines.

Defence procurement, including commercial risk assessment, legal issues, life-cycle costing, financial management and probity, are requirements in the region. There's scope for the organisation to conduct a regional forum on best practice procurement.

The DCP could also support the participation of more regional officers in postgraduate strategic procurement courses. Suitable postgraduate courses approved by the Australasian Procurement and Construction Council are conducted by Curtin University, the University of Technology Sydney, the University of Canberra, Queensland University of Technology, RMIT and the University of South Australia.<sup>19</sup>

Recommendations:

- The Defence International Engagement Plan should recognise the importance of issues such as procurement, logistics management, project management, life-cycle costing and the availability of relevant skills, training and experience in Australia.
- Appropriate courses should be listed in the schedule of postgraduate courses available in Australia.

## Costs

The major recommendations in this report that will incur additional costs are as follows:

- The *PMSP*: project costs of about \$600 million to replace patrol boats on a one-for-one basis, (the build itself should be supplemented to Defence) plus other surveillance assistance (about \$50 million per year over 15 years at current prices—this can be offset against current costs of about \$35 million per year).
- The establishment of the *Australian Defence Regional Engagement Centre*, including construction of suitable facilities: \$20 million (\$10 million per year over a two-year establishment period).
- The upgrade of the *Bradshaw Field Training Centre* to permit its wider use for exercises with regional defence forces: \$24 million (\$12 million per year over two years).
- *Increased exercises with regional defence forces in northern Australia*, including funding the participation of some of those forces: \$50 million per year.
- *Counter-IED programs* in the Philippines and Thailand: \$2 million per year.
- *Procurement advice and training* by the Defence Materiel Organisation for regional defence forces: \$200,000 per year.
- the Defence Science and Technology Organisation's *annual science and technology review conference*: \$100,000 per year.
- The introduction of *modest DCP activities* in Bangladesh, the Maldives and later in Sri Lanka: \$200,000 per year.
- The *special visitors program*: \$200,000 per year.
- *Maritime capability studies* for PNG and Timor-Leste: \$200,000.

This increased spending of about \$149 million represents about 0.59% of the current Defence budget. DCP expenditure this year is \$93,886 million (or about 0.37% of the Defence budget).

While it hasn't been possible to identify the costs of other forms of defence regional engagement, it's likely that that spending, which is spread across several other allocations, is at least the equivalent of DCP funding. It's important that we gain a better appreciation of the true costs of defence regional engagement.

Adherence to the priorities recommended in this report should lead to some savings through the scaling back of some DCP activities. Most other recommendations in the report are largely cost free or involve only modest cost increases (such as restructuring attaché training, enhancing regional security forums in the South Pacific, establishing clearer divisions of responsibilities between agencies and improving the public visibility of defence engagement).

Any increased costs will be spread across different allocations. It's likely, for example, that exercise costs will be the largest single item of expenditure on regional engagement.

## Concluding remarks

As we scale back our defence commitments elsewhere and in acknowledgement of the emerging strategic environment, our defence engagement in the nearer region will have higher priority than it's had in the past.

At present, the process is not as well coordinated as it might be. Current engagement activities are generally appropriate, but the process could be subjected to some fine-tuning, particularly in the identification of priorities. It should also have a higher level of visibility and public scrutiny.

The DCP has been the central element of defence regional engagement in the past, but will become less so in the future as other forms of engagement expand in recognition of the increased capabilities of some regional defence forces. Regional partnerships will become more a matter of interoperability, exercises and training rather than defence cooperation in the traditional sense. The PMSP will increasingly become the central element of the DCP.

While the Defence budget comes under pressure, the resources available for regional engagement may reduce. This isn't necessarily a problem, provided we have clear engagement priorities. There's scope to work more smartly and achieve more with less. We'll need to be conscious of regional concerns, particularly in how and where we exercise in the region.

The maxim for defence engagement should also be 'one size doesn't fit all'. Regional countries jealously protect their sense of national identity. In engaging with the region, we need to be conscious of the vast differences between the policies, priorities, skills and capacities of the countries with which we engage.

# APPENDIXES

Appendix Table 1: Number of foreign students studying under the DCP in Australia

Country	2006	2007	2008	2009	2010	2011	2012	Total per country
Brunei	6	19	10	8	9	4	4	60
Cambodia	2	19	23	22	23	24	31	144
Cook Is	0	0	5	9	7	8	7	36
East Timor	21	17	28	19	36	26	19	166
Indonesia	11	130	116	95	78	75	133	638
Fiji	1	2	0	0	0	0	0	3
Kiribati	0	4	5	17	23	24	31	104
Laos	0	5	27	10	9	7	9	67
Malaysia	39	103	101	86	52	65	66	512
Marshall Islands	0	0	15	9	10	11	9	54
Micronesia	0	2	4	20	15	27	12	80
Palau	0	1	4	5	7	21	3	41
Papua New Guinea	42	56	55	79	78	76	82	468
Philippines	30	87	109	120	110	89	80	625
Samoa	0	1	4	19	12	16	12	64
Singapore	0	0	0	0	1	3	8	12
Solomon Is	0	1	2	16	16	21	14	70
Thailand	22	64	77	61	64	72	75	435
Tonga	11	41	39	67	73	65	45	341
Tuvalu	0	9	3	6	26	11	13	68
Vanuatu	0	1	3	7	5	13	12	41
Vietnam	12	61	70	55	55	67	59	379
<b>Total per year</b>	<b>197</b>	<b>623</b>	<b>700</b>	<b>730</b>	<b>709</b>	<b>725</b>	<b>724</b>	<b>4408</b>

## Appendix Table 2: Number of foreign students studying in Australia for more than one month (approx.)

Country	2006	2007	2008	2009	2010	2011	2012	Total per country
Brunei	6	18	6	5	5	1	0	41
Cambodia	2	8	6	11	10	11	18	66
Cook Is	0	0	5	7	7	6	5	30
East Timor	21	15	19	14	16	15	5	105
Indonesia	11	52	57	49	40	33	39	281
Fiji	1	2	0	0	0	0	0	3
Kiribati	0	3	4	16	10	11	18	62
Laos	0	4	4	6	8	6	9	37
Malaysia	39	38	46	48	30	38	38	277
Marshall Islands	0	0	0	9	10	8	7	34
Micronesia	0	2	2	5	15	11	11	46
Palau	0	0	2	4	7	4	3	20
Papua New Guinea	42	29	36	60	62	44	51	324
Philippines	30	31	52	44	38	39	26	260
Samoa	0	1	2	16	12	14	9	54
Singapore	0	0	0	0	0	0	0	0
Solomon Is	0	0	0	11	2	8	12	33
Thailand	22	16	39	34	29	34	40	214
Tonga	10	29	24	40	35	29	33	200
Tuvalu	0	5	3	6	16	9	11	50
Vanuatu	0	1	0	3	5	12	9	30
Vietnam	12	22	36	30	30	31	40	201
<b>Total per year</b>	<b>196</b>	<b>276</b>	<b>343</b>	<b>418</b>	<b>387</b>	<b>364</b>	<b>384</b>	<b>2368</b>

## Appendix Table 3: Universities used by the Defence Cooperation Scholarship Program

University	University Program	# Enrolled	
		2012	2013
Australian National University	Master of Information Technology Studies	1	1
	Master of Project Management	0	1
	Master of Strategic Studies	2	1
Griffith University	Master of Aviation Management	2	3
La Trobe University	Master of International Relations	4	4
	Master of Telecommunications Engineering	1	0
Macquarie University	Graduate Diploma of Policing, Intelligence and Counter-terrorism	1	0
	Master of Policing, Intelligence, & Counter Terrorism	0	7
	Master of International Security Studies	3	2
Queensland University of Technology	Master of Engineering (Mechanical)	0	1
	Master of Engineering (Systems)	1	0
	Master of Project Management	1	0
RMIT University	Master of Strategic Procurement	0	1
University of Canberra	Graduate Diploma in Professional Accounting	0	1
	Master of Education	0	1
	Master of Educational Leadership	1	0
	Master of Information Technology	0	1
University of Melbourne	Master of Applied Linguistics	1	0
	Master of Engineering Project Management	0	1
	Master of Geographical Information Technology	1	1
	Master of Information Technology (Computing)	0	1
	Master of Telecommunications Engineering	0	1
University of New England	Master of Arts in Political and International Studies	2	0
	Master of Environmental Science (GIS)	1	0
University of New South Wales	Master of Construction Project Management	0	1
	Master of Human Rights Law and Policy	0	1
	Master of International Law & International Relations	0	1
University of Queensland	Master of Engineering Science	0	1

University	University Program	# Enrolled	
		2012	2013
University of Sydney	Master of Education (Educational Management and Leadership)	1	0
	Master of Engineering (Mechanical)	1	1
	Master of Information Technology	0	1
	Master of Information Technology (Software)	0	1
	Master of Peace and Conflict Studies	2	1
	Master of Public Administration	0	1
	Master of Project Management	1	1
University of Technology, Sydney	Master of International Law	1	0
University of Wollongong	Master of Applied Finance	0	1
	Master of Education	0	1
	Master of Engineering Management	1	0
	Master of Engineering Practice	0	1
	Master of Engineering Practice (Mechanical)	2	0
	Master of Information and Communication Technology	2	0
	Master of Information Technology Studies	1	0
	Master of International Studies	1	1
	Master of International Business	1	1
	Master of Management	2	1
	Master of Maritime Policy	17	10
	Master of Project Management	4	4
	Master of Science (Logistics)	7	7
	Master of Strategic Human Resource Management	0	2
	Master of Telecommunications Engineering	1	2
Master of Transnational Crime Prevention	2	0	
		<b>69</b>	<b>69</b>



## Appendix Table 4: RAN Port Visits – Southeast Asia (except Singapore) 2008–2012

Country	2008		2009		2010		2011		2012		Total
	Minor War Vessel	Major Unit	Minor War Vessel	Major Unit	Minor War Vessel	Major Unit	Minor War Vessel	Major Unit	Minor War Vessel	Major Unit	
Indonesia	4	0	1	2	1	3	7	3	0	0	21
Philippines	1	0	4	0	2	0	0	0	0	1	8
Malaysia	5	4	5	3	1	5	3	3	1	0	30
Brunei	0	0	0	0	1	0	1	0	0	1	3
Vietnam	1	2	0	1	0	0	0	2	0	1	7
Thailand	3	3	1	3	0	0	0	2	0	0	12
<b>Total</b>	<b>14</b>	<b>9</b>	<b>11</b>	<b>9</b>	<b>5</b>	<b>8</b>	<b>11</b>	<b>10</b>	<b>1</b>	<b>3</b>	<b>81</b>

## Appendix 5: Summary profiles of Defence Cooperation Program countries and other Indo-Pacific states

### Southeast Asia

#### Brunei Darussalam

Population: 400,000 (2011 fig)

Defence budget: A\$272.7 million (2012 fig)

Defence spending as percentage of GDP: 4.5%

GDP per capita: A\$36,270 (2011 fig)

2011–12 DCP Spend: A\$45,000

2011–12 percentage of DCP Funding: 0.06%

2012–13 AusAID Funding: A\$0

##### Defence Forces

Royal Brunei Armed Forces: 5,747 (3900 Army, 1100 Navy, 747 Air Force)

##### DCP Particulars

- Focused on education and training, including exchanges at the command and staff level, and an offer of 31 training positions in Australia on a fee-for-service basis

##### Dialogues

- Australia – Brunei Darussalam Joint Defence Working Committee

##### Key Agreements

- MOU concerning cooperation in defence activities



#### Cambodia

Population: 15.1 million (2011 fig)

Defence budget: A\$280.5 million (est. 2011 fig)

Defence spending as percentage of GDP: 2.29%

GDP per capita: A\$803 (2011 fig)

2011–12 DCP Spend: A\$1,237,000 (Cambodia and Laos)

2011–12 percentage of DCP Funding: 1.74%

2012–13 AusAID Funding: A\$77,987,808

##### Defence Forces

Royal Cambodian Armed Forces: 79,300 (75,000 Army; 2,800 Navy, 1,500 Air Force)

##### DCP Particulars

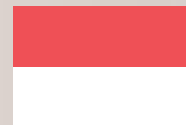
- 44 training positions offered FY11/12
- 4 officers at ADC in 2012

##### Dialogues

- Australia – Cambodia Strategic Policy Dialogue
- Australia – Cambodia Defence Cooperation Working Group



## Indonesia



**Population:** 241 million (2011 fig)

**Defence budget:** A\$6.65 billion (2012 fig)

**Defence spending as percentage of GDP:** 0.72%

**GDP per capita:** A\$3,306 (2011 fig)

**2011–12 DCP Spend:** A\$4,360,000

**2011–12 percentage of DCP Funding:** 6.13%

**2012–13 AusAID Funding:** A\$508,019,050

### Defence Forces

TNI: 361,000 (280,000 Army, 57,000 Navy, 24,000 Air Force)

### DCP Particulars

- Over 150 positions offered to Indonesian students in over 50 courses in Australia in FY 12/13

### Dialogues

- Indonesia-Australia Defence Ministers' Meeting
- Australia-Indonesia 2+2 Defence and Foreign Ministers' Meeting

### Key Agreements

- Lombok Treaty on Security Cooperation
- Defence Cooperation Arrangement

## Laos



**Population:** 6.3 million (2011 figure)

**Defence budget:** A\$14.9 million (est. 2010 fig)

**Defence spending as percentage of GDP:** 0.21%

**GDP per capita:** A\$1,242 (2011 fig)

**2011–12 DCP Spend:** A\$1,237,000 (Cambodia and Laos)

**2011–12 percentage of DCP Funding:** 1.74%

**2012–13 AusAID Funding:** A\$45,625,673

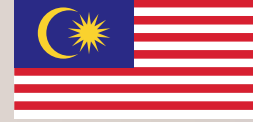
### Defence Forces

Lao People's Armed Forces: 29,100 (25,600 Army; 3,500 Air Force)

### DCP Particulars

- Two positions on Joint Training Program Seminars and 14 positions on the English language teaching and development courses

## Malaysia



**Population:** 28.6 million (2011 fig)

**Defence budget:** A\$4.12 billion (2012 fig)

**Defence spending as percentage of GDP:** 2%

**GDP per capita:** A\$9,492 (2011 fig)

**2011–12 DCP Spend:** A\$3,324,000

**2011–12 percentage of DCP Funding:** 4.67%

**2012–13 AusAID Funding:** A\$0

### Defence Forces

Royal Malaysian Armed Forces: 109,000 (80,000 Army, 14,000 Navy, 15,000 Air Force)

### DCP Particulars

- 114 student education and training positions offered in FY 12/13

### Dialogues

- Malaysia – Australia Joint Defence Program Review Committee
- Malaysia – Australia Defence Policy Talks (Secretary Level)

### Key Agreements

- Five Power Defence Arrangements

## Myanmar



**Population:** 48.34 million (2011 fig)

**Defence budget:** A\$2.13 billion (2012 fig)

**Defence spending as percentage of GDP:** 4.2%

**GDP per capita:** A\$931 (2012 fig)

**2011-12 DCP Spend:** N/A

**2011-12 percentage of DCP Funding:** N/A

**2012-13 AusAID Funding:** A\$64,205,664

### Defence Forces

Myanmar Armed Forces (Tatmadaw): 406,000 (375,000 Army, 16,000 Navy, 15,000 Air Force) + 107,250 paramilitary

## The Philippines

**Population:** 95.9 million (2011 fig)

**Defence budget:** A\$2.2 billion

**Defence spending as percentage of GDP:** 1.02%

**GDP per capita:** A\$2,207 (2011 fig)

**2011–12 DCP Spend:** A\$3,857,000

**2011–12 percentage of DCP Funding:** 5.42%

**2012–13 AusAID Funding:** A\$109,948,745

### Defence Forces

Armed Forces of The Philippines: 125,000 (86,000 Army, 24,000 Navy, 15,000 Air Force)

### DCP Particulars

- Delivery of 21 watercraft in Sep 2010 for counter-terrorism operations in Mindanao
- Approximately 140 training positions offered in FY 12/13

### Dialogues

- Defence Strategic Dialogue

### Key Agreements

- Status of Visiting Forces Agreement



## Singapore

**Population:** 5.3 million (2011 fig)

**Defence budget:** A\$9.18 billion

**Defence spending as percentage of GDP:** 3.5%

**GDP per capita:** A\$46,377 (2011 fig)

**2011–12 DCP Spend:** A\$103,000

**2011–12 percentage of DCP Funding:** 0.14%

**2012–13 AusAID Funding:** A\$0

### Defence Forces

Singapore Armed Forces: 60,500 (50,000 Army, 4,500 Navy, 6,000 Air Force)

### Dialogues

- Shangri-La Dialogue
- Singapore Australia Joint Ministerial Committee

### Key Agreements

- Five Power Defence Arrangements
- Defence Cooperation Arrangement



## Thailand



**Population:** 64.1 million (2011 fig)

**Defence budget:** A\$5.19 billion

**Defence spending as percentage of GDP:** 1.5%

**GDP per capita:** A\$5,078 (2011 fig)

**2011–12 DCP Spend:** A\$3,117,000

**2011–12 percentage of DCP Funding:** 4.38%

**2012–13 AusAID Funding:** A\$0

### Defence Forces

Royal Thai Armed Forces: 305,860 (190,000 Army, 69,860 Navy, 46,000 Air Force)

### DCP Particulars

- Focused on education and training, including exchanges at the command and staff level, and 101 training positions offered in FY 11/12

### Dialogues

- Australia – Thailand Defence Coordination Committee
- Regional Security Dialogue

## Timor-Leste



**Population:** 1.1 million (2011 fig)

### Defence budget:

A\$60.27 million (2012 fig) (Defence and Security)

A\$5.5 million (2011 fig) (Defence only)

**Defence spending as per cent of GDP:** 1.7% (based on projected 2012 GDP fig)

**GDP per capita:** A\$3,530 (projected 2012 fig)

**2011–12 DCP Spend:** A\$4,743,000

**2011–12 percentage of DCP Funding:** 6.67%

**2012–13 AusAID Funding:** A\$84,302,913

### Defence Forces

Approx. 1831 (Land and Maritime forces) (2012 fig)

### DCP Particulars

- PBS FY 12/13 \$4.862 million (Suppliers only)
- 25 in-country advisors (23 ADF & 2 APS)
- Total training offers: 75 (21 attended)

### Dialogues

- Annual Defence Cooperation Talks

### Key Agreements

- Status of Forces Arrangement

## Vietnam



**Population:** 89.3 million (2011 fig)

**Defence budget:** A\$2.5 million

**Defence spending as percentage of GDP:** 2.2%

**GDP per capita:** A\$1,293 (2011 fig)

**2011–12 DCP Spend:** A\$2,021,000

**2011–12 percentage of DCP Funding:** 2.84%

**2012–13 AusAID Funding:** A\$125,181,846

### Defence Forces

Vietnam People's Army: 522,000 (412,000 Army, 40,000 Navy, 30,000 Air Defence and Air Force, 40,000 Border Guards)

### DCP Particulars

- 87 training positions offered FY 11/12
- 28 positions on English language teaching and development and language enrichment courses

### Dialogues

- Strategic Dialogue (DFAT-led)

### Key Agreements

- Australia-Vietnam MOU on Defence Cooperation

## The Pacific Islands

### Cook Islands



**Population:** 13,500 (2011 fig)

**Defence budget:** N/A (responsibility for Defence lies with New Zealand)

**Defence spending as percentage of GDP:** Unknown

**GDP per capita:** A\$21,603 (2010 fig)

**2011–12 DCP Spend:** A\$158,000

**2011–12 percentage of DCP Funding:** 0.22%

**2012–13 AusAID Funding:** A\$3,952,282

### Defence Forces

No regular military forces; National Police Department

### DCP Particulars

- Australia gifted the Pacific Patrol Boat, CIPPB TE KUKUPA, to Cook Islands in 1989
- Australia provides administrative and policy support, materiel sustainment for the PPBs, and foreign education and training

### Dialogues

- Maritime Security Cooperation Talks

## Federated States of Micronesia

**Population:** 102,600 (2011 fig)

**Defence budget:** Not applicable (responsibility for Defence lies with the US under the Compact of Free Association)

**Defence spending as percentage of GDP:** Unknown

**GDP per capita:** A\$2,638 (2011 fig)

**2011–12 DCP Spend:** A\$138,000

**2011–12 percentage of DCP Funding:** 0.19%

**2012–13 AusAID Funding:** A\$2,700,000

### Defence Forces

No regular military forces; Police force and Marine Surveillance Unit

### DCP Particulars

- Australia gifted two Patrol Boats to FSM, (FSS MICRONESIA and PALIKIR) and FSM purchased one (FSS INDEPENDENCE) between 1990–1997.
- DMO provide materiel sustainment for PPBs and RAN provides training for crews.

### Dialogues

- Maritime Security Cooperation Talks



## Fiji

**Population:** 900,000 (2011 fig)

**Defence budget:** A\$62.1 million (2011 fig)

**Defence spending as per cent of GDP:** 1.81% (2011 fig)

**GDP per capita:** \$3,995 (2011 fig)

**2011–12 DCP Spend:** A\$0

**2011–12 percentage of DCP Funding:** 0%

**2012–13 AusAID Funding:** A\$51,423,028 million

### Defence Forces

3,500 active regular forces (3,200 Army, 300 Navy) (2012 fig)

### DCP Particulars

- Funding support to maritime surveillance patrols and routine maintenance
- Refit and maintenance of two Pacific Patrol Boats

### Key Agreements

- Pacific Patrol Boat MoU





## Kiribati

**Population:** 105,000 (2011 fig)

**Defence budget:** N/A Establishment of military forces prevented by the constitution

**Defence spending as per cent of GDP:** N/A

**GDP per capita:** A\$1,499 (2011 fig)

**2011–12 DCP Spend:** A\$367,000

**2011–12 percentage of DCP Funding:** 0.51%

**2012–13 AusAID Funding:** A\$26,270,245

### Defence Forces

No regular military forces; Police force and Marine Surveillance Unit

### DCP Particulars

- Australia gifted the Patrol Boat RKS TEANOI in 1994.
- DMO provide materiel sustainment for PPBs and RAN provides training for crews.

### Dialogues

- Pacific Security Partnership Talks



## Republic of the Marshall Islands

**Population:** 55,000 (2011 fig)

**Defence budget:** N/A (responsibility for Defence lies with the US under the Compact of Free Association)

**Defence spending as per cent of GDP:** Unknown

**GDP per capita:** A\$3,570 (2009 fig)

**2011–12 DCP Spend:** A\$296,000

**2011–12 percentage of DCP Funding:** 0.41%

**2012–13 AusAID Funding:** A\$2,800,000

### Defence Forces

No regular military forces; Police force and Marine Surveillance Unit

### DCP Particulars

- Australia gifted the Patrol Boat RMIS LOMOR in 1991.
- DMO provides materiel sustainment for PPBs and RAN provides training for crews.

### Dialogues

- Maritime Security Partnership Talks



## Republic of Palau

**Population:** 20,609 (2011 fig)

**Defence budget:** N/A (US responsible for Defence under the Compact of Free Association)

**Defence spending as per cent of GDP:** Unknown

**GDP per capita:** A\$8,217 (2011 fig)

**2011–12 DCP Spend:** A\$109,000

**2011–12 percentage of DCP Funding:** 0.15%

**2012–13 AusAID Funding:** A\$2,200,000

### Defence Forces

No regular military forces; Police force and Marine Surveillance Unit

### DCP Particulars

- Australia gifted the Pacific Patrol Boat PSS PRESIDENT H.I. REMELIUK to Palau in 2011.
- DMO provide materiel sustainment for PPBs and RAN provides training for crews.

### Dialogues

- Maritime Security Cooperation Talks



## Papua New Guinea

**Population:** 6.7 million (2011 fig)

**Defence budget:** A\$74 million (est. 2012 fig)

**Defence spending as per cent of GDP:** Approx 0.51%

**GDP per capita:** A\$1,788 (2011 fig)

**2011–12 DCP Spend:** A\$11,485,000

**2011–12 percentage of DCP Funding:** 16.1%

**2012–13 AusAID Funding:** A\$474,520,100

### Defence Forces

PNG Defence Force: 2100 (including Land, Air and Maritime Elements)

### DCP Particulars

- 24 in-line officers, ADF and civilian advisers provide in-country support
- Pacific Patrol Boat Program – Four Pacific Patrol Boats
- Project Halivim Prooman (Barracks refurbishment Program) – \$1 million per FY
- On average 20 Australia-based military training positions each year

### Dialogues

- Defence Cooperation Talks

### Key Agreements

- Joint Statement on Enhancing Our Defence Relationship



## Samoa

**Population:** 183,000 (2011 fig)

**Defence budget:** N/A

**Defence spending as per cent of GDP:** N/A

**GDP per capita:** A\$3,268 (2011 fig)

**2011–12 DCP Spend:** A\$59,000 (Western Samoa)

**2011–12 percentage of DCP Funding:** 0.08%

**2012–13 AusAID Funding:** A\$40,180,774

### Defence Forces

No regular military forces; Police force and Marine Surveillance Unit

### DCP Particulars

- Australia gifted the Patrol Boat MV NAFAUNA to Samoa in 1988.
- DMO provide materiel sustainment for PPBs and RAN provides training for crews, including Maritime Surveillance Advisors (1) and Technical Advisors (1).

### Dialogues

- Maritime Security Partnership Talks



## Solomon Islands

**Population:** 551,000 (2011 fig)

**Defence budget:** Approx. A\$16 million (Solomon Islands Police Force) (2012 fig)

**Defence spending as per cent of GDP:** Approx 0.02%

**GDP per capita:** A\$1,485 (2011 fig)

**2011–12 DCP Spend:** A\$909,000

**2011–12 percentage of DCP Funding:** 1.28%

**2012–13 AusAID Funding:** A\$78,300,000

### Defence Forces

No regular military forces; Police force

### DCP Particulars

- Funding support to maritime surveillance patrols and routine maintenance
- Refit and maintenance of two Pacific Patrol Boats

### Dialogues

- Defence Cooperation Talks

### Key Agreements

- RAMSI Agreement: concerning the operations and status of the police and armed forces and other personnel deployed to Solomon Islands to assist in the restoration of law and order and security.
- Pacific Patrol Boat MoU



## Tonga

**Population:** 104,000 (2011 fig)

**Defence budget:** A\$2.82 million (2011 fig)

**Defence spending as per cent of GDP:** 1.2%

**GDP per capita:** A\$3,973 (2011 fig)

**2011–12 DCP Spend:** A\$1,802,000

**2011–12 percentage of DCP Funding:** 2.54%

**2012–13 AusAID Funding:** A\$28,888,425

### Defence Forces

Tongan Defence Services (TDS), including Land Force, Navy and Air Wing.

### DCP Particulars

- Australia offers support for Patrol Boats VOEA NEIAFU, VOEA PANGAI, VOEA SAVEA, and provides Tonga Navy with sealift capability.
- Provides ADF advisors, scholarships and training.

### Dialogues

- Annual Defence Cooperation Program Talks

### Key Agreements

- Pacific Patrol Boat MoU



## Tuvalu

**Population:** 11,000 (2011 fig)

**Defence budget:** N/A

**Defence spending as per cent of GDP:** N/A

**GDP per capita:** A\$3,014 (2011 fig)

**2011–12 DCP Spend:** A\$251,000

**2011–12 percentage of DCP Funding:** 0.35%

**2012–13 AusAID Funding:** A\$9,556,499

### Defence Forces

No regular military forces; Police force and Marine Surveillance Unit

### DCP Particulars

- Australia gifted the Patrol Boat HMTSS TE MATAILI to Tuvalu in 1994.
- DMO provide materiel sustainment for PPBs and RAN provides training for crews.

### Dialogues

- Maritime Security Cooperation Talks



## Vanuatu

Population: 200,000 (2011 fig)

Defence budget: N/A

Defence spending as per cent of GDP: N/A

GDP per capita: A\$2,922 (2011 fig)

2011–12 DCP Spend: A\$879,000

2011–12 percentage of DCP Funding: 1.24%

2012–13 AusAID Funding: A\$57,693,538

### Defence Forces

No regular military forces; paramilitary Vanuatu Mobile Force (VMF)

### DCP Particulars

- Australia supports the Police Maritime Wing through RVS TUKORO
- Mala Base upgrade (Police Maritime Wing)
- Technical advice from DCP personnel.

### Dialogues

- Whole-of-Government Security Talks

### Key Agreements

- Pacific Patrol Boat MoU
- Aerial Surveillance and Mapping MoU



## Other Regions

### Bangladesh

Population: 148.5 million (2011 fig)

Defence budget: A\$1.56 billion (2011 fig)

Defence spending as percentage of GDP: 1.4%

GDP per capita: A\$722 (2011 fig)

2011–12 DCP Spend: A\$0

2011–12 percentage of DCP Funding: 0%

2012–13 AusAID Funding: A\$88,796,965

#### Defence Forces

Bangladesh Armed Forces: 157,053 (126,153 Army, 16,900 Navy, 14,000 Air Force) + 63,900 paramilitary



### Maldives

Population: 300,000 (2011 fig)

Defence budget: A\$51.76 million (from estimated 2005 percentage of GDP fig)

Defence spending as percentage of GDP: 5.5% (estimated 2005 fig)

GDP per capita: A\$5,546 (2011 fig)

2011–12 DCP Spend: A\$0

2011–12 percentage of DCP Funding: 0%

2012–13 AusAID Funding: A\$6,024,590

#### Defence Forces

Maldives National Defence Force: 5,000 (Marine Corps, Security Protection Group, Coast Guard)



## Mauritius

**Population:** 1.3 million (2011 fig)

**Defence budget:** A\$10.68 million (from 2011 percentage of GDP fig)

**Defence spending as percentage of GDP:** 0.1% (2011 fig)

**GDP per capita:** A\$8,228 (2011 fig)

**2011–12 DCP Spend:** A\$0

**2011–12 percentage of DCP Funding:** 0%

**2012–13 AusAID Funding:** A\$0

### Defence Forces

National Police Force: 8,000, including a Special Mobile Force (1500) and the National Coast Guard (500)



## Pakistan

**Population:** 175.3 million (2011 fig)

**Defence budget:** A\$5.43 billion

**Defence spending as percentage of GDP:** 2.86%

**GDP per capita:** A\$1,128 (2011 fig)

**2011–12 DCP Spend:** A\$2,482,000

**2011–12 percentage of DCP Funding:** 3.5%

**2012–13 AusAID Funding:** A\$82,730,477

### Defence Forces

Pakistani Armed Forces: 642,000 (550,000 Army, 22,000 Navy, 70,000 Air Force) + 304,000 Paramilitary forces

### DCP Particulars

- Focused on education and training, including exchanges at the command and staff level, and over 140 training positions offered in 2012.

### Dialogues

- Pakistan-Australia Defence Cooperation Committee
- 1.5 Track Security Dialogue

### Key Agreements

- Defence Cooperation MoU



## Sri Lanka



**Population:** 20.5 million (2011 fig)

**Defence budget:** Approx. A\$1.6 billion

**Defence spending as percentage of GDP:** 2.86%

**GDP per capita:** A\$2,711 (2011 fig)

**2011–12 DCP Spend:** A\$137,000

**2011–12 percentage of DCP Funding:** 0.19%

**2012–13 AusAID Funding:** A\$38,596,348

### Defence Forces

Sri Lankan Ministry of Defence: Approx 222,000 (150,000 Army, 42,000 Navy, 30,000 Air Force)

### DCP Particulars

- Focused on education and training, including a scholarship for Master of Maritime Security, one position a ACSC and ad hoc offers of positions on short courses.

## United Arab Emirates



**Population:** 5.4 million (2011 fig)

**Defence budget:** A\$9.22 billion

**Defence spending as percentage of GDP:** 3.5%

**GDP per capita:** A\$59,888 (2011 fig)

**2011–12 DCP Spend:** A\$228,000

**2011–12 percentage of DCP Funding:** 0.32%

**2012–13 AusAID Funding:** A\$0

### Defence Forces

UAE Armed Forces: 65,400 (59,000 Army, 2,400 Navy, 4,000 Air Force)

### Dialogues

- UAE Joint Defence Cooperation Committee

### Key Agreements

- Defence Cooperation Agreement



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# ACRONYMS AND ABBREVIATIONS

ACBPS	Australian Customs and Border Protection Service
ADF	Australian Defence Force
ADMM	ASEAN Defence Ministers' Meeting
ADMM-Plus	ASEAN Defence Ministers' Meeting Plus
AFP	Armed Forces of the Philippines
ASEAN	Association of Southeast Asian Nations
AusAID	Australian Agency for International Development
DCP	Defence Cooperation Program
DFAT	Department of Foreign Affairs and Trade
EEZ	exclusive economic zone
FLNKS	Kanak and Socialist National Liberation Front (New Caledonia)
FPDA	Five Power Defence Arrangements
FSM	Federated States of Micronesia
HA/DR	humanitarian assistance and disaster response
IED	improvised explosive device
IKAHAN	Indonesia–Australia Defence Alumni Association
NCWS	National Coast Watch System (Philippines)
OECD	Organisation for Economic Co-operation and Development
PICs	Pacific island countries
PMSP	Pacific Maritime Security Project
PNG	Papua New Guinea
PNGDF	PNG Defence Force
PNTL	Timor-Leste National Police Force
PPB	Pacific Patrol Boat
QUAD	Quadrilateral Defence Cooperation Group
RAAF	Royal Australian Air Force
RAMSI	Regional Assistance Mission to Solomon Islands
RAN	Royal Australian Navy
RFMF	Republic of Fiji Military Forces
RIMPAC	Rim of the Pacific Exercise
Seskoal	Indonesian Naval Staff College
TNI	Tentara Nasional Indonesia (Indonesian National Armed Forces)
TNI-AD	Indonesian Army
TNI-AL	Indonesian Navy
TNI-AU	Indonesian Air Force
UN	United Nations

# NOTES

1. Vice Chief of the Defence Force, speech to ASPI, 'The ADF as a foundation for Australian prosperity', Canberra, 27 September 2012.
2. Earlier reviews included SCFAD (1984) and DPL (1993).
3. This training is managed through the Defence International Training Centre, which provides training in Australia to the defence forces of South-East Asia and South Pacific nations and to other selected overseas personnel. The centre is managed by Vice Chief of the Defence Force Group.
4. Information supplied by the Department of Defence.
5. Information supplied by the Department of Defence.
6. Minister for Defence and Minister for Foreign Affairs, Joint Communique, 2nd Indonesia–Australia Foreign Affairs and Defence Ministers 2+2 Dialogue, 3 April 2013, available from <http://www.minister.defence.gov.au/2013/04/03/minister-for-defence-and-minister-for-foreign-affairs-joint-communique-2nd-indonesia-australia-foreign-affairs-and-defence-ministers-22-dialogue/>.
7. <https://www.tenders.gov.au/?event=public.atm.show&ATMUUID=82E1AED0-06A3-5348-1203F79901192472>.
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11. <http://www.dfat.gov.au/geo/png/joint-declaration-10052013.html>.
12. Radio New Zealand International, 13 February 2013.
13. The Hon Stephen Smith MP, Minister for Defence, 'Australia's changing strategic circumstances', speech to ASPI, 1 August 2012.
14. The International Traffic in Arms Regulations are a set of US Government regulations that control the export and import of defence-related articles and services. They dictate the conditions under which information and material pertaining to certain defence and military related technologies may be shared or used with other countries.
15. The Shoalwater Bay Military Training Area is located on the Central Coast of Queensland about 120 kilometres north of Rockhampton. In 2005, Australia entered into a long-term agreement with the US over the use of Shoalwater Bay for military training. Similar agreements over a shorter time span have been agreed with Singapore.

16. Bradshaw Field Training Area is near Timber Creek in the Victoria River region of the Northern Territory, about 600 kilometres by road southwest of Darwin. It's subject to the summer monsoon or wet season from October to April, the dry season from May to September and periods of transition in between. A large dirt airstrip capable of operating C-17 Globemaster transport aircraft was built by ADF and US military engineers.
17. Rapid turnover of staff was identified in the Inspector-General's 1995 report on defence cooperation as an issue to be addressed by the International Policy Division. The overall impact of high staff turnover is one of disruption and inefficiency in defence cooperation policy development and management.
18. AusTender, RFT-DCSP-01/13, <https://www.tenders.gov.au/?event=public.atm.show&ATMUID=82E1AED0-06A3-5348-1203F79901192472>.
19. Details of these courses are available from [http://www.apcc.gov.au/ALLAPCC/APCC%20FLYER\\_Post%20Graduate%20brochure%202012%20V3.pdf](http://www.apcc.gov.au/ALLAPCC/APCC%20FLYER_Post%20Graduate%20brochure%202012%20V3.pdf). Information on procurement policy generally and professionalisation requirements is available from <http://www.defence.gov.au/dmo/gc/index.cfm>

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Some previous ASPI publications



## Terms of engagement

### Australia's regional defence diplomacy

Australia is in the process of pivoting back to our own region and looking for new strategies for defence re-engagement.

This report reviews Australia's regional defence engagement activities to ensure these activities best serve Australia's strategic interests.

The emphasis is shifting from assisting regional countries to build their own defence forces more towards working together to promote a secure region.

The first priority should be engagement with our nearest neighbours, specifically those in the archipelagic arc stretching from Indonesia through Timor-Leste and PNG to Solomon Islands and Vanuatu.

Our next priority should be the countries just beyond that archipelagic arc. These include the Pacific island countries, our FPDA partners, the Philippines and nearer Indian Ocean coastal and island states.

Maritime Southeast Asia should have higher priority for our defence engagement than continental Southeast Asia.

The Pacific Patrol Boat Program is by far the largest defence cooperation project in the region. Its successor, the Pacific Maritime Security Project, should receive the highest priority as the cornerstone of our security engagement in the Pacific.

Along with Indonesia and Timor-Leste, PNG should have the highest priority for our bilateral defence engagement.

With the drawdown in our forces in Afghanistan, there's now the opportunity to refocus our defence activities on the eastern Indian Ocean region.

One of the best ways through which regional engagement can achieve its objectives is through activities that enhance personal relationships and the report makes recommendations regarding the promotion of people-to-people links.

Defence engagement in the priority regions should focus on the maritime dimension. Not only is maritime security a key concern for Australia, but it also reflects the interests of regional countries both in Southeast Asia and the South Pacific.

The report makes several recommendations to improve the visibility of defence regional engagement.

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